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THE HISTORY OF SILVER IN THE UNITED STATES

Submitted by

Grace Genevieve Galvin

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First reader - Franklin C. Roberts, Asst. Prof. of Educ.
Second reader - George K. Makechnie, Instr. in Soc. Studies

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Then came the election of President Roosevelt. Everybody hoped that he would be able to help matters. He, through the radio and newspapers, made most of his plans known to the people. Congress passed: 1st, the Emergency Banking Act; 2nd, the Agricultural Act; 3rd, A Joint Resolution to Assure Uniform Value to the Coins and Currencies of the United States; and, 4th, the Gold Reserve Act of 1934. By all of these acts, Congress gave the President more powers than any other President had ever had conferred on him. Among the powers given, was the power to create "Managed Currency". Power was also given to make more use of silver in the currency, to control the price of gold, to limit the amount of gold shipped to foreign countries, and to call in all gold.

What caused all this? The Inflationists and Silver Men

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say the demonetization of silver. When? Let us see!

Origin of Use

The origin of the word "silver" is unknown. The Ancients linked it with Luna, because man's search for it, according to a Greek myth, was a form of "Moon Madness". The Latin term "argentum" and the Greek "'apyvpos," derived from "apyos," come from the same root.[1]

The qualities of silver are: 1st, it has a certain degree of rarity; 2nd, it possesses a value because of its attractiveness; 3rd, it will take a clear impression of a stamp; 4th, it does not corrode unpleasantly; and 5th, it possesses sufficient hardness to make it last for some time in constant handling without much loss.[2] These qualities fit it to be used as money.

Unearthed from ancient city sites or tombs, small ingots of silver have been found. This is silver's earliest known method of use as money. These bars vary in size and weight and are cut into fragments. Abraham, over 4,000 years ago, purchased a grave for his wife, Sarah, in this manner, when he "weighed to Ephron the silver, which he named in the audience of the sons of Heth, four hundred shekels of silver, current money with the merchant." These ingots and fragments may be seen today in the Phoenician case in the Gem Room of the British Museum.

Later, a design, usually the emblem of the diety whose

1. Benjamin White, Silver, p. 8
2. Ibid, p. 85

protection had been asked, was added so as the place of storage might be known. At length, a coin was evolved: 1st, a bean-shaped lump with pattern on one side; and lastly, as a circular piece of metal with patterns on both sides, edges milled or lettered like those of today.

It is a fortunate circumstance that silver coins were first minted within the Greek Islands, or upon the adjoining mainland. These coins were made objects of beauty, because they were devoted to the service of religion and were stored in the depositories in the Temple when not in use.[3]

They are supposed to have been originated by either the Lydians under Gyges, or the Aeginetans under Phedian about 700 B. C. Aeginetans, it is thought, minted the first ones of silver, while the Lydians made theirs of a compound, composed of gold and silver, called electrum.[4]

Many kinds of metals have figured as money. Iron was circulated by Ancient Greece and Japan. Central Africa has used iron in modern times and even during the Great War. Copper was the earliest Hebrew money and Russia and Sweden minted it about one hundred years ago. Probably the earliest British currency was tin. This was also adopted by the Syracusans and Romans. The Japanese and Mexicans also employed it in more recent times. Lead, though very soft, has served as money, temporarily. Bullets of lead passed as currency in Massachusetts in the middle seventeenth century. Platinum was once coined in Russia.[5] All of these, although they may

3. Ibid, pp. 85 & 86
4. Ibid, p. 87
5. Ibid, p. 118

be used in times of necessity, have given place to the use of gold and silver, as the principal basis of currency.

Silver has taken a place in the currency system in three ways: 1st, as the sole basis, as in China and Mexico; 2nd, jointly as the basis with gold, as in England until 1816; 3rd, merely subsidiary, as used in most nations today.[6]

Charlemagne's System of Coinage

Charlemagne's system of Coinage was adopted throughout Western Europe. He made, the standard, the pound weight of silver and divided it into two hundred and forty pieces, called pennies. Later kings of France debased the purity of these pennies and also issued gold coins whose rating they changed whenever they so desired. This, of course, complicated matters. At length, Charles V, the Wise, came to the throne.[7] He appointed one of his ministers, Nicholas Oresme who later became the President of the College of Navarre, to investigate the coinage system and apply a remedy. Oresme published "A Theory of Money" which contained an outline of what is now known as Gresham's Law.

Sigismund I of Poland, in 1526, seeing that the currency of the realm was in a frightful condition appointed Nicholas Copernicus, the great astronomer, to find out about it. He also wrote a treatise giving the same doctrines as those of Oresme. These doctrines are:

"1. That it is impossible for the law to regulate the value of the coins, i. e., the purchasing power.

6. Ibid, p. 121
7. Henry Dunning MacLeod, Silver Coinage Historically Considered, p. 3

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6. Ibid, p. 121
7. Henry Dunning Macleod, <u>Silver Coinage Historically Considered</u>, p. 5

"2. That all the law can do is to maintain the coinage at a fixed denomination, weight and purity.

"3. That it is robbery for the law to change the denomination, diminish the weight, or debase the purity of the coinage.

"4. That it is impossible for good, full weighted coin to circulate together.

"5. That the coins of gold and silver must bear the same ratio to each other as the metals in bullion do in the market."8

The English Kings, beginning with Edward the First, diminished the weight of the pennies until under Queen Elizabeth's reign seven hundred and forty four pennies were coined from a pound weight of silver. The instant disappearance of the good coin was the subject of repeated debates in Parliament for many centuries.

At last, Sir Thomas Gresham,[9] an English Merchant, who wrote on commercial topics[10] and was the founder of the Royal Exchange of London,[11] explained why the above took place. His law was: "If debased coin is attempted to be circulated with full valued coin, all of the latter will disappear from circulation, and the overvalued and debased coin will alone remain to the ruin of our commerce and business."[12]

This Oresme, Copernicus, Gresham Law is also found stated a little differently about 2,000 years before Gresham declared

8. John J. Valentine, Money, the Silver Question and Hard Times, pp. 10 & 11
9. Henry Dunning MacLeod, op. cit., p. 5
10. Benjamin E. Green, Shakespeare and Goethe on Gresham's Law and the Single Gold Standard, p. 5
11. William Brough, The Natural Law of Money, p. 23
12. George Gunton, Editor, "The 'Gresham' Law", Social Economist, VII (July, 1894), p. 20

it in Aristophanes' fable entitled "Frogs", translated by Trere.

"Often time we have reflected on a similar abuse
In the choice of men for office and of coins for commerce use;
For your old and standard pieces, valued and approved and tried,
Here among the Grecian Nations and in all the world beside,
Recognized in every realm for trusty stamp and pure assay,
Are rejected and abandoned for the trash of yesterday;
For a vile, adulterate issue, drossy, counterfeit and base,[13]
While the traffic of the city passes current in their place."

All of these men of different countries and ages made their discoveries independent of each other. Gresham's name, its latest discoverer, is the name used to indicate the law today.

CHAPTER II

SILVER DURING THE COLONIAL PERIOD

Various kinds of Colonial Currency

In 1619, in Virginia, tobacco was received at three shillings per pound. New Netherlands and Massachusetts used peltry as a medium of exchange.[1] The General Court of Massachusetts ordered, in 1631, that corn should pass for the payment of all debts at its usual sale price, unless money or beaver skins were demanded. In 1719, rice was made receivable for taxes by the Assembly of South Carolina.[2]

Debased coinage was tried on the Dutch Colony of New Netherlands and the other Colonies indirectly by a group of Yankee traders, and so proved that Gresham's Law worked, as well in the New as in the Old World. It came about in the following manner. William Kieft, the Governor of New Amsterdam, made Wampum the coin of the Province for all government and private debts. For a time, all went well. Money was plentiful. A group of Yankees of Connecticut established a mint at Oyster Bay. They bought everything they could with this Wampum. If the Dutch bought anything of the traders, the traders demanded gold or silver in exchange. Wampum was also used from Massachusetts to Virginia.[3]

The value placed on the Wampum varied in each colony; for instance, four white beads equalled a penny in Connecticut, while in Massachusetts it took usually six and sometimes eight.

1. Charles J. Bullock, <u>Monetary History of United States</u>, p. 8
2. Horace White, <u>Early Currency of the American Colonies,</u> p. 63
3. M. A. Miller, <u>Gold or Silver?</u>, pp. 87 & 88

The black were considered twice as valuable, so the debasers proceeded to dye the white ones.[4] These colonies became so deluged that Massachusetts, in 1649, had to stop Wampum being received in payment of taxes, although, it was used until 1661 as legal tender for private debts.

In New Netherlands, the Colonists complained in 1641, about the "bad wampum" in circulation, saying that it was "rough, unpolished stuff which is brought hither from other places" so that "the good, polished wampum, commonly called Manhattan Wampum, is wholly put out of sight and exported."

In the Records of 1659 of New Netherlands is found, that Wampum has greatly depreciated "in consequence of the great importation of Wampum from New England, which barters therewith and carries out of the country not only the best cargoes sent hence, but also a large quantities of Beaver and other Peltries" so that the people "remain with a chest full of Wampum, which is a currency utterly valueless, except among New Netherlands' Indians only." Yet, irrespective of these facts, Wampum was used more or less until 1701, in the Colony of New York.[5]

The First Colonial Mint

In the Charter of King James to the Virginia Colony the right was given to establish a mint. In 1645, Virginia tried to do this. The Grand Assembly, made up of the Governor, Council and Burgesses of Virginia, passed an act that stated

4. Horace White, op. cit., p. 63
5. Charles J. Bullock, op. cit., pp. 8 & 9

that the "Grand Assembly having maturely weighed and considered how advantageous a quoine current would be to this colony, and the great wants and miseries which do daily happen unto it by the sole dependency upon tobo'o have at length resolved and enacted"....etc. There is no proof that a mint was ever built.[6]

The first mint was established by the Massachusetts Colony, in 1652, to coin small silver pieces. It was a success for thirty years. John Hull, the first manager, reports that:

"Upon occasion of much counterfeit coin bro't in the country, and much loss accruing in that respect, (and that did occasion a stoppage of trade) the General Court ordered a mint to be set up.... And they made choice of me for that employment and I chose my friend Rob't. Saunderson to be my partner to which the Court consented."

On May 27, 1652, the first order of the Court was made, showing that the Court had authority over the mint. It was:

"That all persons whatsoever have libertie to bring unto the mint house at Boston, all bullion, plate, or Spanish Coyne, there to be melted and bro't to the alloy of sterling silver by John Hull, master of the said mint and his sworne officers and by him to be coyned into twelve pence, six pence, and three pence pieces, etc."[7]

The money, so coined, was all dated 1652 and was legal tender in the Colony. The law for-bade its exportation on penalty of forfeiting all visible estate. This coinage was the well-known "Pine-tree Currency."

Massachusetts had no legal right to coin money. It, soon, reached the ears of the King. Some historians hold that the mint was one of the reasons why Massachusetts' first Charter was revoked in 1684.[8]

6. John W. Daniel, Speech, p. 4
   David K. Watson, History of American Coinage, pp. 1 & 2
7. David K. Watson, op. cit., pp. 2 & 3
8. William G. Sumner, A History of American Currency, pp. 11-13

In Maryland, on May 1, 1664, an act was passed "concerning the setting up of a mint within the province of Maryland." There is no evidence that any thing was done about it. The provinces of New Hampshire and North Carolina also tried to establish mints to coin copper, but seem not to have been successful.[9]

Spanish Coins

Spanish dollars came in a steady stream from the West Indies. As early as 1639, Governor Winthrop of Massachusetts wrote in his "Journal" about "the arrival of a bark which brought much wealth in money, plate, indico and sugar." They came, as in Winthrop's statement, from trading and also from the privateers that preyed on the Spanish commerce. Boston and nearby towns carried on most of the commerce up to 1650. By 1676, it had extended to Southern New England and even down to the Carolinas.[10]

The Spanish Dollar was taken by Virginia as the standard in 1645.[11] In New England, because of the heavy mint charges, the Spanish dollar was not taken to the mint nor was it allowed to circulate. It was worth 4s.6d. sterling, or 6s. in New England Currency. In 1672, this was changed by a law which allowed the "Spanish dollar to circulate at 6s. and other pieces in proportion."[12]

9. David K. Watson, <u>op. cit.</u>, p. 7
10. Charles J. Bullock, <u>op. cit.</u>, p. 14
John H. Frederick, <u>The Development of American Commerce</u>, p. 6
11. John W. Daniel, <u>op. cit.</u>, p. 5
12. William G. Sumner, <u>op. cit.</u>, pp. 12 & 13

Various Types of Coins in Circulation

The currency of Massachusetts no sooner appeared than it was chipped down to equal the worst or it was smuggled out of the country, although this smuggling was forbidden by law. Gresham's Law was in operation for the second time. The "Pine Tree Shilling" spread through out the colonies. Spanish silver and gold, a few pieces of French and British gold, some copper from a half a dozen different foreign nations, "Pine Tree Shillings" and those minted in 1722 in the reign of George I and in 1733 under George II served the Colonies as money until after the Articles of Confederation were adopted.[13]

Effect of Louisburg

Louisburg was captured by the New England colonies in King George's War in 1745. Later the Parliament of England voted to ransom the fort from the colonies. Massachusetts' share was £138,649 sterling. This, at the ruling exchange, eleven to one, was found would almost cancel the outstanding paper money issued in order to capture Louisburg. Hutchinson, the Governor of Massachusetts, proposed to ask that Massachusetts' share be sent in silver dollars and copper coins and that it be used, as far as possible, to cancel the paper money. The people feared this change in the currency of the colony. Some riots took place, but as the change took place so quietly, the fears soon passed. Trading had been very quiet, before this, in Massachusetts, but, it now began to revive slowly.

13. David K. Watson, op. cit., p. 7

Soon Rhode Island and New Hampshire found that their trade was being transferred to Massachusetts, the "Silver Colony", and their own paper money became heavily depreciated.[14]

The First Gold Tender Act

Massachusetts, a little later, found that its silver was leaving and being replaced with gold from the West Indies. The gold was not legal tender, yet it circulated. Soon agitation began to make the gold legal tender along with silver. In 1762, an act was passed that made gold legal tender at two and one half pence per grain. Silver, soon, became scarce because debtors now found it profitable to pay in gold, thus for the third time proving Gresham's Law.

Continental Paper

The Continental Congress, because it had no power to tax and because its members were used to paper money as a method of public finance, created, in 1775, its first issue of paper money "for 300,000 Spanish dollars, redeemable in gold or silver, in three years". The issue was based on "the faith of the 'Continent'." They were ordered in May and issued in August. Benjamin Franklin approved of this.[15]

From 1775 to 1781, $500,000,000 of paper money was issued. This money fell steadily in value although the penalties for not receiving it were very severe. They included; imprisonment, forfeiture of property, and banishment.

As the depreciation went on, many used the paper money

14. William G. Sumner, op. cit., p. 7
15. Ibid, pp. 40 & 43

to pay their debts and thus cheated their creditors who, because of the punishments attached, could not refuse to accept the money. The Revolutionary soldiers were paid with this currency, even when a whole month's pay would not buy one meal.

When, on May 31, 1781, Congress passed an act stopping Continental bills from circulating, in Philadelphia a parade was held to celebrate this. In the parade was a dog which had been coated with tar and then covered with Continental Paper Money.[16]

Articles of Confederation Coinage Law

The Articles of Confederation on July 9, 1778, provided for coinage as follows: "The United States in Congress assembled shall have the sole and exclusive right and power of regulating the alloy and value of coins struck by their own authority, or by that of the respective States." This gave the States the right to coin money so that, some of the States, namely, Vermont, Connecticut, and New Jersey, granted to individuals or companies the right to coin copper. An act passed in Massachusetts caused a mint to be erected to coin gold, silver, and copper, but only copper coins were made in it.[17]

Various Plans of Mint and Coinage System

Robert Morris, the Superintendent of Finance, and Thomas Jefferson began the agitation for a mint.[18] Morris urged that the coins put into circulation should be few and simple so that

16. M. E. Ingalls, Greenbacks and Depreciated Silver Must Go, pp. 1 & 2
17. David K. Watson, op, cit., pp. 8 & 9
18. Louis R. Ehrich, The Question of Silver, p. 6

they might "become familiar to all ranks and degrees of men."[19] He submitted to Congress samples of coins in April, 1783.

In 1792, he introduced in Congress a Mint and Coinage System. It was based on silver as the standard, and used a decimal system, with 14½ to 1 as the ratio of silver to gold. The money unit was 1440th part of a dollar: 100 units, the lowest silver coins, were to be one cent; five of these to make a piece to be called the quent; 10, or 1000 of the original units to be called the mark.[20]

In April, 1784, Thomas Jefferson, a member of Congress, submitted his "notes on the establishment of a Money Unit and of a Coinage for the United States." He urged the adoption of the decimal system. His reasons were: "The value of 100, 1000, 10,000 dollars is well estimated by the mind; so is that of the tenth or the hundredth of a dollar. Few transactions are above or below these limits." He, also, held that although this was different than the English system it was more familiar since it had been used in trade for a long time.

He suggested that the weight of the Spanish milled dollar be taken as the weight for the American silver dollar. His reasons were: "The Unit or (Spanish) dollar is a known coin and the most familiar of all to the minds of the people. It is already adopted from South to North, has identified our currency, and therefore happily offers itself, as a unit already introduced."[21] This suggestion had the agreement of

19. Arthur Burnham Woodford, On the Use of Silver as Money in the United States, p. 12
20. A. Barton Hepburn, History of Coinage and Currency in the United States, p. 14
21. George M. Coffin, Silver and Common Sense, p. 4

George Washington.[22]

A gold coin of ten dollars, a dollar of silver, the tenth of a dollar of silver, a hundredth of a dollar of copper, and a half dollar, a double tenth and a twentieth of a dollar made up his system. The ratio was to be fixed at the average ratio of trade, which would be about 15 to 1. The weight was to be found of the silver in the Spanish dollar and adopted.

Morris' plan was approved by Congress on February 21st, 1782. Jefferson's was referred to a Committee which did not report until May, 1785. They approved of Jefferson's plan. On July 6th, 1785, action was taken by Congress and the following fundamental propositions were adopted:

"1. That the money unit of the United States of America be one dollar.

"2. That the smallest coin be of copper, of which two hundred shall pay for one dollar.

"3. That the several pieces shall increase in decimal ratio."[23]

By adopting this act, the Spanish dollar became the standard.

On August 8th, 1786, Congress passed a resolution adopting the double standard at a ratio of 15.253 to 1. The dollar or unit was to contain 375.64 grains of pure silver, while the Spanish dollar contained 386 7/8 grains pure;[24] mills, or one thousandths of a dollar; half-cent and cent of copper; dimes or tenths of a dollar, double dimes, one half dollar and one dollar of silver; and five and ten dollars of gold; were the pieces of currency adopted.

On October 16th, 1786, "An Ordinance for the Establishment

22. Nathaniel P. Hill, Speeches and Papers on the Silver, etc., p. 110
23. Edward C. Towne, The Story of Money, p. 92
24. James G. Batterson, Gold and Silver as Currency, p. 36

of the Mint of the United States of America and for regulating the value and alloy of coins" was passed.[25] It authorized coinage of both gold and silver, free for all comers. The standard dollar was "to be of the value of a Spanish milled dollar" and "to contain 371 grains and 4/16 parts of a grain of pure, or 4/16 grains of standard silver."[26] Under this ordinance copper coins were the only ones made.[27]

25. A. Barton Hepburn, op. cit., pp. 14 to 17
26. Arthur Burnham Woodford, op. cit., pp. 5 & 6
27. A. Barton Hepburn, op. cit., p. 17

CHAPTER III

SILVER IN NEW GOVERNMENT

Constitutional Convention

The leading men of the country say that a more stable government was necessary to better the financial and economic condition of the country. In 1786, in Annapolis, Maryland a convention of states was called, but did nothing.[1] On May 14, 1787 another convention met in Philadelphia, but adjourned until September 17th, 1787.[2] This meeting was called to consider economic questions, but produced a new government, the present Constitution (without the amendments).

The Constitution provides in regard to coinage that:

"Article I. Sec. 8. The Congress shall have Power....To Coin Money, regulate the Value thereof, and of Foreign Coin.

"Sec. 10. No State shall....coin Money; make any Thing but gold and silver Coin a Tender in Payment of Debts."[3]

By this agreement, the States gave up all right to coin money.

Treasury Department Established

George Washington, the first President, in his First and Second Annual Address to the Senate and the House of Representatives recommended that Congress take early action in establishing a Mint.[4] In September, 1789, a Treasury Department was established. Alexander Hamilton was made the Secretary of the Treasury.[5]

1. A. Barton Hepburn, <u>A History of Currency in the United States</u>, p. 39
2. David K. Watson, <u>History of American Coinage</u>, pp. 8 & 9
3. A. Barton Hepburn, <u>op. cit.</u>, p. 39
4. David K. Watson, <u>op. cit.</u>, p. 32
5. A. Barton Hepburn, <u>op. cit.</u>, p. 41

The Coinage System

On the 15th of April, 1890, the House of Representatives "Ordered that the Secretary of the Treasury prepare and report to this House a proper plan or plans for the establishment of a national Mint."

He carefully went over all that was then known on the subject. He adopted the resolution of Congress in 1785, that the Spanish dollar's value be the value of the dollar. He had several hundred taken and melted down. He found that each contained on the average 371 1/4 grains of pure silver.[6]

The principal objects of his research were: 1st, the relation which gold and silver should bear to each other; 2nd, the ration at which they should be coined; and 3rd, the character of the money unit.

He reached these conclusions:

"1. That the dollar, because it had been in actual use as the measure of values in practically all of the states, was the most suitable unit for the proposed system; that it was of the utmost importance to define as exactly as possible just what the dollar was, in order that neither debtors nor creditors might be injuriously affected. The dollars in existence varied considerably, Spain having degraded or changed the standard at different times. He therefore recommended a dollar containing 371.25 grains of pure silver, as best expressing the actual average value of the coin in use.

"2. That the decimal system was of demonstrated superiority over the duodecimal of Great Britain.

"3. That inasmuch as the undervaluation of either metal was the cause of its exportation, thus shifting the standard to the other, which might result injuriously, and since it was very desirable to have coins of both metals in actual use, the ratio should conform as nearly as possible to the commercial ratio, rather than follow any specific European precedents.

6. Nathaniel P. Hill, Speeches and Papers on Silver, etc., p. 110

He therefore recommended the ratio of 15 to 1.

"4. That the silver dollar was the equivalent of 24.75 grains of gold, and therefore a gold dollar containing that quantity of metal be also provided for, in order that there might be a unit coin in each metal.

"5. That the fineness of the coins should be eleven-twelfths or .916 2/3, corresponding with the British standard of fineness for gold; the alloys being for gold coins, silver and copper; for silver coins, copper only.

"6. That no mint charge should be imposed upon the bullion brought for coinage, the cost thereof being properly a general charge rather than one to be imposed upon specific individuals, and to impose a charge might influence prices in international relations, being in effect a reduction of the standard of the coin, as compared with bullion.

"7. That foreign coins should be permitted to circulate for one year, that thereafter certain foreign pieces might be tolerated for another year or two; anticipating that the mint would be prepared to provide all the coins needed, he concluded that after three years the use of foreign coins should be prohibited."

Hamilton, before submitting his report to Congress, sent it to Jefferson.[7] He received the following letter:

"February, 1792.

"Dear Sir:- I return you the report on the mint, which I have read over with a great deal of satisfaction. I concur with you in thinking that the unit must stand on both metals, that the alloy should be the same in both, also in the proportion you establish between the value of the two metals....

"Thomas Jefferson."[8]

From the end of Hamilton's Report the following excerpts are taken because they give the reasons for the double standard:

"But on the whole it seems to be most advisable, as has been observed, not to attach the unit exclusively to either metal; because this cannot be done effectually without destroying the character and office of one of them as money, and reducing it to the situation of mere merchandise."[9]

7. A. Barton Hepburn, History of Coinage and Currency in the United States, pp. 20 & 21
8. David K. Watson, op. cit., p. 49
9. Henry G. Miller, Silver Legislation of 1890, p. 3

"If gold be most convenient in large payments, silver is best adapted to the more minute and ordinary circulation.... To annul the use of either of the metals as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full, with the evils of a scanty circulation."[10]

On this double standard issue he differed from Morris. He argued that if a single standard were adopted, it should be gold; but, that, because he feared it might check the amount of currency he favored the double standard.[11] He submitted his plan on January 21st, 1791.

On March 3rd, 1791, Congress passed a resolution establishing a mint and giving the President the power to engage artists and other apparatus to carry the resolution out. No direct action was taken on the resolution. Washington, in his Third Annual Address to Congress on October 25, 1791 said:

"The disorders in the existing currency, and especially the scarcity of small change, a scarcity so peculiarly distressing to the poorer classes, strongly recommend the carrying into immediate effect the resolution already entered into concerning the establishment of a mint."

On March 2, 1792, Robert Morris, who was now a Senator from Pennsylvania, reported a bill favoring the establishing of a mint and regulating the coins of the United States.[12] On April 2, 1792, Congress passed the act establishing a coinage system.

Hamilton's recommendations were almost all accepted. Congress refused to make a gold dollar and altered the fineness of the silver coins by substituting .892,43.[13]

10. Arthur Burnham Woodford, _On the Use of Silver as Money in the United States_, pp. 20 & 21
11. Louis R. Ehrich, _The Question of Silver_, p. 6
12. David K. Watson, _op. cit._, pp. 51 & 52
13. A. Barton Hepburn, _History of Coinage and Currency in the United States_, p. 22

The Act of 1792, the outline of our currency systems was brought into being by the conditions of the Colonial trade and the influence of Morris, Jefferson, and Hamilton.[14] The following sections are taken from this act:

"Sec. 1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, and it is hereby enacted and declared, That a Mint for the purpose of a national coinage be, and the same is established, to be situated and carried on at the seats of the government of the United States, for the time being:

"Sec. 9 And be it further enacted, That there shall be from time to time struck and coined at the said mint, coins of gold, silver, and copper, of the following denominations, values and descriptions, viz., Eagles - each to be of the value of ten dollars or units, and to contain two hundred and forty-seven grains and four-eighths of a grain of pure, or two hundred and seventy grains of standard gold. Half Eagles - each to be of five dollars, and to contain one hundred and twenty-three grains and six-eighths of a grain of pure, or one hundred and thirty-five grains of standard gold. Quarter Eagles - each to be of the value of two and a half dollar, and to contain sixty-one grains and seven-eighths of a grain of pure, or sixty-seven grains and four-eighths of a grain of standard gold. Dollars or Units - each to be of the value of a Spanish Milled Dollar as the same is now current, and to contain three hundred and seventy-one grains and four-sixteenths parts of a grain of pure, or four hundred and sixteen grains of standard silver. Half-Dollars - each to be of half the value of the dollar or unit and to contain one hundred and eighty-five grains and ten sixteenths parts of a grain of pure, or two hundred and eight grains of standard silver. Quarter Dollars - each to be of one quarter the value of the dollar or unit, and to contain ninety-two grains and thirteen-sixteenths parts of a grain of pure, or one hundred and four grains of standard silver. Dimes - each to be of one-tenth of a dollar or unit and to contain thirty-seven grains and two-sixteenths parts of a grain of pure, or forty-one grains and three-fifths parts of a grain of standard silver. Half Dimes - each to be of the value of one-twentieth of a dollar, and to contain eighteen grains and six-sixteenths parts of a grain of pure, or twenty grains and four-fifths parts of a grain of standard silver. Cents - each to be of the value of the hundredth part of a dollar, and to contain eleven penny-weights of copper. Half-cents - each to be of the value of one-half a cent, and to contain five penny-weights and one-half a penny-weight of copper.

14. Arthur Burnham Woodford, op. cit., p. 363

"Sec. 11 And be it further enacted, That the proportional value of gold to silver in all coins which shall by law be current as money within the United States, shall be as fifteen to one, according to quantity in weight, of pure gold or pure silver, that is to say, every fifteen pounds weight of pure silver shall be of equal value in all payments, with one pound weight of pure gold, and so in proportion as to any greater or less quantities of the respective metals.

"Sec. 14 And be it further enacted, That it shall be lawful for any person or persons to bring to the said mint gold and silver bullion, in order to their being coined and that the bullion so brought shall be there assayed and coined as speedily as may be after the receipt thereof, and that free of expense to the person or persons by whom the same shall have been brought. And as soon as the said bullion shall have been coined, the person or persons by whom the same shall have been delivered, shall upon demand receive in lieu thereof coins of the same species of bullion which shall have been so delivered, weight for weight, of the pure gold or pure silver therein contained: Provided nevertheless, That it shall be at the mutual option of the party or parties bring such bullion, and of the director of the said mint, to make an immediate exchange of coins for standard bullion, with a deduction of one-half per cent from the weight of pure gold, or pure silver contained in said bullion, as an indemnification to the mint for the time which will necessarily be required for coining the said bullion, and for the advance which shall have been so made in coins.

"Sec. 16 And it be further enacted, That all the gold and silver coins which shall have been struck at, and issued from the said mint, shall be a lawful tender in all payments whatsoever, those of full weights according to the respective values herein before declared, and those of less than full weights at values proportional to their respective weights.[15]

Law of 1793

February 9, 1793, Congress changed the existing valuations on foreign coins by passing "An Act regulating Foreign Coins, and for other purposes."

"Sec. 1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the first day of July next, foreign gold and silver coins shall pass current as money within the United States and be a legal tender for the payment of all

15. United States Statutes at Large, April 2, 1792, Sec. 1, 9, 11, 14, and 16

debts and demands, at the several and respective rates following, and not otherwise, vix: The gold coins of Great Britain and Portugal, of their present standard, at the rate of one hundred cents for every twenty-seven grains of the actual weight thereof; the gold coins of France, Spain, and the dominions of Spain, of their present standard, at the rate of one hundred cents for every twenty-seven grains and two-fifths of a grain, of the actual weight thereof. Spanish milled dollars, at the rate of one hundred cents for each dollar, the actual weight whereof shall not be less than seventeen pennyweights and seven-seventeenths grains; and in proportion for the parts of a dollar. Crowns of France, at the rate of one hundred cents for each crown, the actual weight whereof, shall not be less than eighteen pennyweights and seventeen grains, and in proportion for the parts of a crown. But no foreign coin that may have been, or shall be issued subsequent to the first day of January, 1792, shall be a tender, as aforesaid, until samples thereof shall have been found, by assay, at the mint of the United States, to be conformable to the respective standards required, and proclamation thereof shall have been made by the President of the United States.

"Sec. 2 Provided always, and be it further enacted, That at the expiration of three years next ensuing the time when the coinage of gold and silver, agreeably to the act, entitled "An act establishing a mint, and regulating the coins of the United States", shall commence at the mint of the United States, (which time shall be announced by the proclamation of the President of the United States,) all foreign gold coins, and all foreign silver coins, except Spanish milled dollars and parts of such dollars, shall cease to be a legal tender, as aforesaid.[16]

It was renewed without change in February 1, 1798 and April 10, 1806. The provision was continued for three years, including the French five-franc pieces, by the Act April 29, 1816. The Act of March 3, 1819 continued it until November 1, 1819, for gold coins (after which date they were no longer legal tender) and until April 29, 1821, for French silver coins.[17]

The First Coinage

In 1793, six pounds of copper was bought for coinage.

16. United States Statutes at Large, February 9, 1793, Sec. 1, 2
17. A. Barton Hepburn, History of Coinage and Currency in the United States, p. 26

This was the first purchase of any metal made for purposes of coinage. On July 18, 1794, the Bank of Maryland deposited silver bullion made up of French coins amounting to $80,715.73½. The first deposit of gold bullion was made by Moses Brown, a Boston Merchant, on February 12, 1795. It consisted of ingots worth $2,276.72. He was paid in silver coins.[18]

The first silver dollar was coined in 1794, weighing four hundred and sixteen grains, one thousand four hundred and eighty five parts pure to one hundred and seventy-nine parts alloy, therefore it was three hundred and seventy-one and twenty-five hundredths grains pure.[19] The first gold coined at the mint, seven hundred and forty-four half-eagles was on July 31, 1795.[20] The Director of the Mint in his report for 1795 states that mints were erected at Baltimore and elsewhere, professedly to imitate the coins of foreign countries and to furnish a debased gold coin for the West Indian trade. He didn't state how much coinage was made.

The Ratio Fails

It was stated in Congress, as in 1798, that a large number of gold coins had been seen in a goldsmith's window in England.[21] Because silver was worth more as bullion and worth more for export than as money, there were only three hundred and twenty-one silver pieces coined at the mint in the entire year of 1805.[22] Up to May 1, 1806, only 1,433,477 silver dol-

18. David K. Watson, _op. cit._, p. 66
19. William G. Sumner, _A History of American Currency_, p. 60
20. David K. Watson, _op. cit._, p. 66
21. Arthur Burnham Woodford, _op. cit._, pp. 10 & 12
22. J. Sterling Morton, _Fallacies of the Free Silver Argument_, pp. 1 & 2

lars were coined.[23]

The Treasury Department did not cooperate with the Mint. All coins received by the Government should have been sent to the Mint and recoined into United States currency. Even in Philadelphia, this was not done. The Director of the Mint, in 1803, stated that no precious metal had been coined on account of the Government of the United States.

Hamilton considered three years enough for the change from foreign into American currency. That this would have been an ample amount of time, is shown by the facts. The "ordinary receipts" of the Government from 1796 to 1800 were over $8,000,000. This was about equal to one half the amount of money in circulation in the country. The Mints averaged annually from 1795 to 1805 only $500,000.

The few coins that were made were exported, being more valuable as commodities in foreign markets. Money-mongers got all the gold by paying cheaper silver dollars for it, and so made a profit.[24] These gold dollars, although a little less in weight than the Spanish gold coins, were accepted by tale throughout the West Indies.[25] Foreign silver dollars carried a premium of one quarter to one half per cent over United States silver dollars.[26] The silver coins brought back in trade were

23. Edward C. Towne, The Story of Money, p. 94
24. Edward C. Towne, Ibid., pp. 152 & 153
25. A. Barton Hepburn, History of Coinage and Currency in the United States, p. 27
26. J. Laurence Laughlin, The History of Bimetallism in the United States, p. 53

taken to the mints, so that the mints were busy at public expense for the benefit of the money broker.[27] English, French, Spanish, Mexican and Portuguese coins passed freely. Their legal tender quality at specified rates, by tale or weight, was renewed from time to time as before stated.[28]

This was due to the ratio between gold and silver. In 1793, the ratio was 15 to 1, the same as ours. In 1794, it was 15.37 to 1. In 1805, it was 15.79 to 1. The average for these twelve years 1794 to 1805 was 15.51 to 1. This shows that the silver dollar of the United States was worth three per cent less as bullion than our gold dollar.[29]

The mints were under the control of the President of the United States at that time.[30] President Jefferson, realizing that the United States silver coins were all being exported, directed his Secretary of State, Mr. Madison, to issue the following order to the Director of the Mint:

"Department of State
"May 1, 1806

"Sir:- In consequency of a representation from the Director of the Bank of the United States, that considerable purchases have been made of dollars coined at the Mint for the purpose of exporting them, and as it is probable further purchases and exportations will be made the President directs that all the silver to be coined at the Mint shall be of small denominations, so that the value of the largest pieces, shall not exceed half a dollar.

"I am, sir.,
"James Madison,

"Robert Patterson Esq.,
"Director of the Mint"[31]

27. Robert S. Taylor, <u>The Silver Question</u>, p. 15
28. Arthur Burnham Woodford, <u>op. cit.</u>, p. 10
29. John A. Grier, <u>The United States Financial Law of March 14, 1900</u>, p. 55
30. John G. Carlisle, <u>Speeches on Free Coinage of Silver</u>, p. 45
31. John A. Grier, <u>op. cit.</u>, p. 53

This order remained in force for thirty years, until 1836. Then only 1,000 silver dollars were issued.[32]

By the year 1812, gold had disappeared from the country and the United States was actually on a silver basis.[33] The Treasury was bare, gold and silver were rarely seen. Congress, for the War, provided for an issue of $36,000,000 in Treasury Notes and later doubled this. Banks were forced to give up payments of specie. Gold and silver in large amounts went to foreign countries. When peace came, the banks did not resume specie payments for a while.[34]

32. John G. Carlisle, <u>Speech on Ratio of 16 to 1</u>, p. 7
33. John G. Carlisle, <u>Speeches on Free Coinage of Silver</u>, p. 8
34. Norman Angell, <u>The Story of Money</u>, pp. 278 & 279

CHAPTER IV

SILVER FROM CLOSE OF WAR OF 1812 DOWN TO 1870

Ratio Changed

On March 1, 1819, the House of Representatives directed Mr. Crawford, the Secretary of the Treasury, to report, among other matters "such measures as, in his opinion, may be expedient to procure and retain a sufficient quantity of gold and silver coins in the United States."

On February, 1823, Mr. Crawford, in a letter to a committee of the House of Representatives said:

"In terminating this letter I feel it my duty to observe that the relative current value of gold and silver differs materially from that established by the law of the United States. The consequence has been that the gold coin of the United States has always been exported whenever the rate of exchange between the United States and the commercial nations of Europe has been in favor of the latter. If the government coins of the United States should be made equal in value to sixteen times the value of silver coins of the same quantity of pure silver, they would be exported only when the rate of exchange should be greatly against the United States."[1]

In a Report, of a Committee having under consideration the valuation of Foreign Coins, to the House of Representatives, in 1823, it is stated that the coinage of gold and silver at the mint had been in excess of $20,000,000 whereas the amount of specie in the country, inclusive of foreign coin, was estimated at $16,000,000 (less by $1,500,000 than in 1804), and by far the greater part of the coin in the country consisted of French silver pieces. This committee recommended that legal tender power be continued until 1827.[2]

The Director of the Mint in his January 1, 1825 Report

1. A. Barton Hepburn, History of Coinage and Currency in the United States, pp. 29 to 31
2. Ibid., p. 31

says:

"Deposits of gold have for the last three years been inconsiderable. While gold bullion is in demand at a premium on its standard value for exportation as a remittance, instead of bills at the current exchange, no adequate inducement exists to bring it to the mint if its value can be otherwise satisfactorilly ascertained. It is obvious that if coined and issued under such circumstances it cannot be retained in circulation."3

On December 20, 1828, the Senate passed a resolution requiring the Secretary of the Treasury to "ascertain, with as much accuracy as possible, the proportional value of gold and silver in relation to each other; and to state such alterations in the gold coins of the United States as may be necessary to uniform those coins to the silver coins, in their true relative value." The Secretary of the Treasury, Mr. Ingham, on May 4, 1830, presented his report.

He held that distress came when silver and gold both left the country. He set forth that bimetallism had failed and urged a single standard and that silver. He suggested that the ratio be 15.625 to 1, since according to his plan gold should have a slight premium.

Gallatin, who had been Secretary of the Treasury, under Jefferson, recommended the ratio 15½ to 1. He favored bimetallism, because fluctuations of gold and silver would be less than that of one metal only. If a single standard was adopted, he preferred silver. It was then the standard, more abundant, required a greater premium before it could be exported and was the only means of suppressing small notes.

Mr. Sanford, Senator of New York in December 1830, report-

3. Hermon W. Craven, <u>Errors of Populism</u>, p. 95

ed a bill for the continuation of the double standard at the ratio of 15.9 to 1. The weight of gold coin only were to be altered. In the Committee's Report this bill was supported. The Report became the basis of two reports to the House of Representatives in 1831. One Report was on Silver, the other on gold. Both were made by C. P. White, Representative of New York. He also gave two reports in March and June 1832.

The ratio recommended was 15.625 to 1 and .900 as the standard of fineness. He held also that "the standard ought to be legally and exclusively, as it is practically regulated by silver."

The House Committee was opposed to the double standard, because of "the impossibility of maintaining both metals in concurrent, simultaneous, or promiscuous circulation." It urged that a single standard be adopted because it is the nearest approach to stability and it will prevent the need of further legislation with each change in relative commercial value. It also held that if a metallic currency was desired, notes of ten dollars and under must be prohibited.[4]

A bill passed the Senate, in 1831, to revise the coinage system. It reduced the weight of the gold eagle to two hundred and thirty-two grains of pure metal, thus raising the ratio over 16 to 1, 16.002. Crawford, the Secretary of the Treasury, had proposed this ratio ten years before. In 1819, Mr. Lowndes had suggested 15.6 to 1. A special committee of the Senate, in 1830, proposed 15.9 to 1, which was the com-

4. A. Barton Hepburn, op. cit., p. 34

mercial rate then prevailing in South America, where our silver came from.[5]

The currency question had been discussed for twenty years in special investigations and reports to Congress. Secretaries of the Treasury, Crawford in 1820 and Ingham in 1830 and Chairmen of Congressional Committees, Lowndes in 1819, Sanford in 1830, and C. P. White from 1831 to 1834 were among the most notable. Congress gave very little attention to these. The prevailing currency was made up of paper notes of the United States and foreign silver coins, mostly Spanish, old and worn. The notes were from a great number of banks of every degree of solvency. The old Spanish coins were the nearest to a standard of value. American coins of any kind were few.[6]

White repeated his former bill and recommendation in February, 1834. In May, the banks of New York, under the leadership of the President of one of them, Gallatin, sent a memorial to Congress asking for the enactment of a law to coin gold at the rate of 23.76 grains of pure and 25.92 grains standard metal to the dollar. The silver dollar was to remain unchanged. The ratio was to 15.625 to 1. They also asked that the silver dollar of Latin-America and the five-franc piece of France as well as the Spanish dollar, be made legal tender, at their proper mint values.[7]

Senator Thomas H. Benton, of Missouri, the champion of gold in the Senate, became known all over the country as

5. Arthur Burnham Woodford, On the Use of Silver as Money in the United States, p. 21
6. William Brown, Silver in its Relation to Industry and Trade, p. 60
7. A. Barton Hepburn, op. cit., p. 37

"Old Bullion",[8] because of his speeches concerning the currency issue. He said:

"The false valuation put upon gold has rendered the mint of the United States, so far as the gold coinage is concerned, a most ridiculous and absurd institution. It has coined, and that at a large expense to the United States, 2,262,177 pieces of gold, worth $11,852,890, and where are the pieces now? Not one of them to be seen! All sold, and exported! And so regular is the operation that the Director of the Mint in his latest Report to Congress says that the new-coined gold frequently remains in the mint, uncalled for, though ready for delivery, until the day arrives for a packet to sail to Europe. He calculates that two million native gold will be coined annually hereafter; the whole of which, without a reform of the gold standard, will be conducted, like exiles, from the national mint to the seashore, and transported to foreign regions."

In another part of the same speech he said:

"To enable the friends of gold to go to work at the right place to effect the recovery of that precious metal which their fathers once possessed - which the subjects of European kings now possess - which the citizens of the young republics of the south all possess - which even the free negroes of San Domingo possess - but which the yeomanry of this America have been deprived of for more than twenty years, and will be deprived of forever, unless they discover the cause of the evil, and apply the remedy to its root."[9]

He also said:

"Gold goes where it finds its value, and that value is what the laws of great nations give it. In Mexico, and South America, the countries which produce gold, and from which the United States must derive their chief supply, the value of gold is 16 to 1 over silver; in the Island of Cuba it is 17 to 1; in Spain and Portugal it is 16 to 1; in the West Indies, generally it is the same. It is not to be supposed that gold will come from these countries to the United States, if the importer is to lose one dollar in every sixteen that he brings; or that our gold will remain with us, when an exporter can gain a dollar upon every fifteen that he carries out. Such results would be contrary to the laws of trade, and therefore we must place the same value upon gold that other nations do, if we wish to gain any part of theirs, or to regain any part of our own."[10]

Mr. Benton, in his "Thirty Year's View" explained his

9. Louis R. Ehrich, <u>The Question of Silver</u>, p. 10
10. A. Barton Hepburn, <u>op. cit.</u>, pp. 38 & 39

ratio in these words:

"At that time 15 5/8 was the ratio of nearly all who seemed best calculated from their pursuits to understand the subject; "that" the thick array of speakers was on that side, and the eighteen banks of New York City, with Mr. Gallatin at their head, favored the proposition; "that" the difficulty of adjusting this value, so that neither metal should expel the other had been the stumbling block for a great many years, and now seemed as formidable as ever; "that" there seemed to be no way of getting to a concord of opinion either from the light of science, the voice of history, or the result of calculations;" and that he, "taking his stand upon the single fact that equality and actuality of circulation had existed for above three hundred years in the Spanish dominions of Mexico and South America, where the proportion was 16 to 1," presented this with much effect that "all the real friends of gold currency soon rallied to it....and eventually the bill passed (in the House) by a large majority, 145 to 35," while "in the Senate it had an easy passage; Calhoun and Webster supported it, Mr. Clay opposed it; and on the final vote there were but seven negatives."11

From the Report of the House Committee on the Bill of 1834 is taken the following statement:

"The committee think the desideratum in the monetary system is the standard of uniform value; they cannot ascertain that both metals have ever circulated simultaneously, concurrently and indiscriminately in any country where there are banks or money dealers, and they entertain the conviction that the nearest approach to an invariable standard is its establishment in one metal, which metal shall compose exclusively the currency for large payment."12

On June 25, 1834, Congress passed "An Act regulating the value of foreign silver coins with the United States." The Act, is as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That from and after the passage of this act, the following silver coins shall be of the legal value, and shall pass current as money within the United States, by tale, for the payment of all debts and demands, at the rate of one hundred cents the dollar, that is to say, the dollars of Mexico, Peru, Chili, and Central America, of not less weight then four hundred and fifteen grains each, and those re-stamped in Brazil of the

11. Edward C. Towne, The Story of Money, pp. 150 to 154
12. Carman F. Randolph, The Free Coinage of Silver, p. 9

like weight, of not less fineness than ten ounces fifteen pennyweights of pure silver, in the troy pound of twelve ounce of standard silver: and the five-franc pieces of France, when of not less fineness than ten ounces and sixteen pennyweights in twelve ounce troy weight of standard silver, and weighing not less than three hundred and eighty-four grains each at the rate of ninety-three cents each.

"Sec. 2 And be it further enacted, That it shall be (the) duty of the Treasury to cause assays of the aforesaid silver coins, made current by this act, to be had at the mint of the United States at least once in every year and to make report of the result thereof to Congress.[13]
Approved, June 25, 1834.

This Act remained in force until 1857.[14]

On June 28, 1834, President Jackson signed "An Act concerning the gold coins of the United States and for other purposes." The Act, that became the law of the land on that day was:

"Be it enacted by the Senate and the House of Representatives of the United States of America, in Congress assembled, That the gold coins of the United States shall contain the following quantities of metal that is to say: each eagle shall contain two hundred and thirty-two grains of pure gold, and two hundred and fifty-eight grains of standard gold; each half eagle one hundred and sixteen grains of pure gold, and one hundred and twenty-nine grains of standard gold, each quarter eagle shall contain fifty-eight grains of pure gold and sixty four and one-half grains of standard gold, every such eagle shall be of the value of ten dollars, every such half eagle shall be of value of five dollars, and every such quarter eagle shall be of the value of two and one-half dollars; and the said gold coins shall be receivable in all payments, when of full weight according to their respective values; and when of less than full weight, at less values, proportioned to their respective actual weights."[15]

President Jackson signed the bill in order to put an end to the bank, bring back gold into circulation,[16] and aid the North Carolina and Georgia gold mines.[17] He, also, in 1836 to

13. United States Statutes at Large, June 25, 1834, Section 1 & 2
14. Samuel Leavitt, Our Money Wars, p. 60
15. United States Statutes at Large, June 28, 1834, Section 1
16. Edward C. Towne, op. cit., p. 95
17. J. Laurence Laughlin, W. G. Sumner, Francis A. Walker, North American Review (June, 1885) Volume CXL, p. 485

aid the circulation of gold, directed that public officers should receive on specie in payment of public dues.[18]

Movement toward Reduction in Weights of Coins

In 1836, one thousand silver dollars were issued from the mint. These were the first since 1806, when Jefferson ordered them stopped.[19] In the same year, a bill containing thirty-eight sections was introduced. This bill was called "An Act establishing a mint and regulating the coins of the United States."[20] It passed January 18, 1837. The following sections refer to the coinage of silver and gold:

"Section 8 And be it further enacted, That the standard for both gold and silver coins of the United States shall thereafter be such, that of one thousand parts by weight, nine hundred shall be of pure metal, and one hundred of alloy; and the alloy of the silver coins shall be of copper; and the alloy of the gold coins shall be of copper and silver, provided that the silver do not exceed one-half of the whole alloy.

"Section 9 And be it further enacted, That of the silver coins, the dollar shall be of the weight of four hundred and twelve and one-half grains; the half dollar of the weight of two hundred and six and one quarter grains; the quarter dollar of the weight of one hundred and three and one-eighth grains; the dime, or tenth part of a dollar, of the weight of forty-one and one quarter grains; and the half dime, or twentieth part of a dollar, of the weight of twenty grains, and five-eighths of a grain and that dollar, half-dollar, and quarter-dollar, dime and one-half dimes, shall be legal tender of payment, according to their nominal value, for any sums whatever.

"Section 10 And be it further enacted, That of the gold coins, the weight of the eagle shall be two hundred and fifty-eight grains; that of the half eagle one hundred and twenty-nine grains; and that of the quarter eagle sixty four and one-half grains, and that for all sums whatever, the eagle shall be a legal tender of payment for ten dollars, the one-half eagle for five dollars, and the quarter eagle for two and one half dollars.

19. John G. Carlisle, <u>Speech on Ratio of 16 to 1</u>, p. 7
20. A. Barton Hepburn, <u>op. cit.</u>, p. 41

"Section 11 And be it further enacted, That the silver coins heretofore issued at the mint of the United States, and the gold coins issued since the thirty-first day of July, 1834, shall continue to be legal tenders in payment for their nominal values, on the same terms as if they were of the coinage provided by this act.

"Section 14 And be it further enacted, That gold and silver bullion brought to the mint for coinage, shall be received and coined, by the proper officers for the benefit of the depositor: Provided, That it shall be lawful to refuse at the mint any deposit of less value than one hundred dollars, and any bullion so base as to be unsuitable for the operations of the mint. And provided also; that when gold and silver are combined, if either of these metals be in such small proportions that it cannot be separated advantageously, no allowance shall be made to the depositor for the value of such metal."[21]

The following tables show the difference in weight of the gold coins under the Acts of 1792 and 1834, and the difference in weight of the silver coins under the Acts of 1792 and 1837:[22]

"Gold Coins

Act of 1792

Eagle	247 4/8	grains pure	270	grains standard	
Half-Eagle	123 6/8	" "	135	"	"
Quarter-Eagle	61 7/8	" "	67 4/8	"	"

Act of 1834

Eagle	232	grains pure	258	grains standard	
Half-Eagle	129	" "	129	"	"
Quarter-Eagle	58	" "	64 1/2	"	"

Silver Coins

Act of 1792

Dollar	371 4/16	grains pure	416	grains standard	
Half-Dollar	185 10/16	" "	208	"	"
Quarter-Dollar	92 13/16	" "	104	"	"
Dime	37 2/16	" "	41 3/5	"	"
Half-Dime	18 9/16	" "	20 4/5	"	"

21. United States Statutes at Large, January 18, 1837, Sections 8, 9, 10, 11 and 14
22. David K. Watson, History of American Coinage, p. 99

Act of 1837

Dollar	371 4/16	grains pure	412 1/2	grains	standard
Half-Dollar	185 10/16	" "	206 1/4	"	"
Quarter-Dollar	92 13/16	" "	104	"	"
Dime	37 2/16	" "	41 3/5	"	"
Half-Dime	18 9/16	" "	20 4/5	"	"

Act of 1853

Because of these changes, the gold dollar was worth now less than before. The new gold dollar was worth, at the 15.6 to 1 ratio which was the true ratio according to the experts, 99.5 cents. Silver therefore went out of circulation. Although the mint was coining American silver dollar pieces, none of them stayed in this country. All the worn-down Spanish pillar pieces came here. The poorer people were forced to use these, having a quarrel at almost every exchange of them. They soon came into unquestionable dimes.[23] This change in currency and the ruining of the United States Bank brought on the Panic of 1837.[24] Very little silver was brought to the mint in 1840,[25] because the exports began to exceed the imports. A large amount of gold was coined that same year. After 1848, the amount of gold was more than that of silver,[26] due to the Californian and Australian Gold discoveries.

The Sub-Treasury Act was passed in 1846. It provided that nothing but specie should be received by the government on any account, and when received should be held until disbursed by public officers, and should not be deposited in any bank, hoping by this means to create a demand for bank money.[27]

Silver fractional pieces were only kept in circulation

23. William G. Sumner, History of American Currency, p. 110
24. Charles S. Ashley, The Financial Question, pp. 14 & 15
25. Nelson Dingley, Jr., The Treasury Condition, p. 14
26. Arthur Burnham Woodford, op. cit., p. 25
27. James G. Batterson, op. cit., p. 37

during these years, because of the necessity of having small change, and because as they were much handled they lost weight.[28]

In 1850, it became more difficult to keep these in circulation, because they were worth more as bullion than in coins.[29] Their worth still more increased in 1851 and 1852.

On March 3, 1849, "An Act to authorize the Coinage of Gold Dollars and Double Eagles" was passed. A portion of this act is given below:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be from time to time, struck and coined at the mint of the United States, and the branches thereof, conformably in all respects to law (except that on the reverse of the gold dollar the figure of the eagle shall be omitted), and conformably in all respects to the standard for gold coins. Now established by law, coins of gold of the following denominations and values, viz: double eagles, each to be of the value of twenty dollars, or units, and gold dollars, each to be of the value of one dollar, or unit.

"Section 2. And be it further enacted, That, for all sums whatever, the double eagle shall be a legal tender for twenty dollars, and the gold dollar shall be a legal tender for one dollar."[30]

No more gold dollars were coined under this act after 1889, because the people found that they were too small to use.[31]

Thomas Corwin, the Secretary of the Treasury, in his Report of 1852, recommended the reduction of the amount of silver in the subsidiary coins. The Finance Committee of March 8, 1852, introduced it into the Senate. Mr. R. M.

28. John R. Jones, The Money Question, p. 207
29. Arthur Burnham Woodford, op. cit., p. 26
30. United States Statutes at Large, March 3, 1849, Sections 1 & 2
31. John A. Grier, The United States Financial Law of March 14, 1900, p. 97

Hunter made a report on it.[32] In this report, he said: "The great measure of readjusting the legal ratio between gold and silver cannot be safely attempted until some permanent relations between market values of the two metals shall be established."[33] On the 29th of March, he said: "I believe there is no objection to it. We can pass it this evening." It was ordered engrossed for the third reading and passed without discussion the next day. It did not appear at the House of Representatives until May 3rd, who then referred it to the House Ways and Means Committee.[34]

The Secretary of the Treasury, Corwin, in January 15, 1853, again, called attention to the disappearance of silver coins.

"The inconvenience arising from the scarcity of silver coinage still continues, and to such an extent as calls loudly for some legislative action to remedy the evil....If, as I believe is the fact, this difference in the relative value of the two metals arises from the immense and increased supply of gold which has been furnished from California and Australia, there can be but little doubt such difference will continue to increase. This state of things has banished almost entirely from circulation all silver coins of full weight; and what little remains in the hands of the community consists principally of worn pieces of Spanish coinage of the fractional parts of a dollar, all of which are of light weight, and many of them ten or twenty per cent below their nominal value....The natural and inevitable consequences of the premium which silver now bears have been to establish practically, gold as the only legal tender."[35]

Against the objection that the reduced weight currency could not be made legal tender, without a violation of contracts and that gold thereafter would be the only legal tender, he said:

"It is true that heretofore the laws of the United States

32. David K. Watson, op. cit., p. 101
33. A. Barton Hepburn, op. cit., p. 43
34. Arthur Burnham Woodford, op. cit., p. 29
35. Hermon W. Craven, op. cit., p. 99

have recognized the coin of either metal as a legal tender, and if it was at the option of the creditor to select what he would receive, there would be a very serious objection to changing either the weight or standard fineness of any proportion of the coin. But this is not the fact, as it rests with the debtor to pay with which description of coin he will pay his debts, and the natural and inevitable consequences of the premium which silver now bears have been to establish, practically, gold as the only legal tender."36

The Committee of Ways and Means brought up the discussion in the House of Representatives on February 1, 1853. It was introduced in a speech by Mr. Dunham.[37] In this speech he said:

"We propose, so far as these coins are concerned to make silver subservient to the gold coin of the country. We intend to do what the best writers on political economy have approved; what experience, where the experiment had been tried, has demonstrated to be necessary and proper, to make but one standard of currency and to make all others subservient to it. We mean to make gold the standard coin, and to make these new coins applicable and convenient, not for large, but for small transactions."38

In another part of the same speech, he said:

"Another objection urged against this proposed change is that it gives us a standard of gold only....What advantage is to be obtained by a standard of two metals, which is not as well if not much better, attained by a single standard, I am unable to perceive; while there are very great disadvantages resulting from it as the experience of every nation which has attempted to maintain it has proved.39....The constant changes the relative values of gold and silver has always resulted in great inconvenience, and frequently in great loss to the people. Wherever the experiment of a single metal standard has been tried it has proved eminently successful....40

"Indeed, it is utterly impossible that you should long at a time maintain a double standard.41....The one or the other

36. A. Barton Hepburn, _op. cit._, p. 44
37. Arthur Burnham Woodford, _op. cit._, p. 29
38. A. Barton Hepburn, _op. cit._, p. 45
39. James T. McCleary, _Against unrestricted Coinage of Silver_, p. 33
40. B. F. Nourse, _The Silver Question_, p. 25
41. James T. McCleary, _op. cit._, p. 33

will appreciate in value when compared with the other, it will then command a premium when exchanged for the other, when it ceases to be currency and becomes merchandise. The committee desire to obviate the double standard of gold and silver; they desire to have the standard currency to consist of gold only and these silver coins shall be entirely subservient to the gold."42....Gentlemen, talk about a double standard of gold and silver as a thing that exists and that we propose to change. We have had but a single standard for the last three or four years. That has been, and now is, gold. We propose to let it remain so. and to adapt silver to it, to regulate it by it."43

Mr. Skelton, another member of the House, said in a part of his speech:

"The main object of the bill is to supply small silver change, half-dollars, quarter-dollars, dimes, and half-dimes. The bill does not propose to change the value of the gold currency, it does not propose to disturb the standard of value now in existence throughout the country. Gold is the only standard of value by which all property is now measured; it is virtually the only currency of the country."44

It was discussed on the two following days, only in the morning. It was not brought up again until February 15th, when the amendments were downed by large majorities. The bill passed as it came from the Senate.

There seemed to be no opposition from the Bimetallists. The only opposition in the House of Representatives came almost entirely from those who insisted that, in spite of the limitation as to the amount to be coined, the bill depreciated the standard and provided for the issuance of a new kind of coin, which would complicate rather than simplify the monetary system.[45]

The principal opponent of the bill was Andrew Johnson of Tennessee, who was in the House of Representatives.[46]

On February 21, 1853, the Act passed in Congress. It was

42. B. F. Nourse, op. cit., p. 25
43. James T. McCleary, op. cit., p. 33
44. David K. Watson, op. cit., pp. 109
45. Arthur Burnham Woodford, op. cit., p. 29
46. A. Barton Hepburn, op. cit., p. 46

called "An act Amendatory of Existing Laws relative to the Half Dollar, Quarter, Dollar, Dime, and Half Dime and provided:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the first day of June, 1852 (though) the weight of half dollar or piece of fifty cent shall be one hundred and ninety-two grains, and the quarter dollar, dime, and half dime, shall be, respectively, one half, one fifth, and one tenth of the weight of said half dollar.

"Section 2. And be it further enacted, That the silver coins issued in conformity with the above section, shall be legal tender in payment of debts for all sums not exceeding five dollars."[47]

The following table shows the weight of the silver coins under the Acts of 1837 and 1853.

Silver Coins

	Act of 1837			
Dollar	371 4/16	grains pure	412 1/2	grains standard
Half-Dollar	185 10/16	" "	206 1/4	" "
Quarter-Dollar	92 13/16	" "	103 1/8	" "
Dime	37 2/16	" "	41 1/4	" "
Half-Dime	18 9/16	" "	20 5/8	" "
	Act of 1853			
Dollar	371 1/4	grains pure	412 1/2	grains standard
Half-Dollar	185 10/16	" "	192	" "
Quarter-Dollar	92 13/16	" "	96	" "
Dime	37 2/16	" "	38 2/5	" "
Half-Dime	18 9/16	" "	19 3/10	" " [48]

Despite all the speeches for the gold standard, the silver dollar remained in the law, with full legal tender power. The reason for this was that over a period of sixty years, only 2,506,280 silver dollars had been coined. Most of these had been exported or withdrawn from circulation. It was not the silver dollar that this Act sought to bring back. It sought to retain the fractional silver currency which the country so needed.[49] This it accomplished. The Act had changed the weight

47. United States Statutes at Large, February 21, 1853, Sections 1 & 2
48. David K. Watson, op. cit., p. 112
49. David K. Watson, op. cit., p. 105

called "An act Amendatory of Existing Laws relative to the Half Dollar, Quarter, Dollar, Dime, and Half Dime and provided:

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47. United States Statutes at Large, February 21, 1853, Sections 1 & 2
48. David K. Watson, op. cit., p. 112
49. David K. Watson, op. cit., p. 105

of the subsidiary silver coins about seven per cent.

The date fixed for beginning the subsidiary silver coinage was changed, by the Act of March 3, 1853, to April 1, 1853. The weight of the three-cent silver piece was also changed to meet the new standard. The three-cent pieces were made under the law of March 1851. $1,000,000 had been coined and were in use.[50]

In the United States, up to 1853, the Government paid the expense of manufacturing the currency.[51] The return of free coinage was not thought of or wished for by any one. Fractional silver became abundant. On February 21, 1853, an Act was passed repealing all statutes permitting the circulation of and giving legal tender power to foreign coins, excepting only the Spanish-American fractional silver coins. These were received only at government offices at a greatly reduced rate. These coins were immediately bought up and only American coins were left in circulation.[52] Upton says, that: "The country had for the first time in the history of the country (1776-1856) gold and silver coin circulating in harmony, side by side, ample in amount, throughout the country, neither driving the other from circulation or skulking because foreign coins were treated better in law than they were."

Civil War

At the beginning of the Civil War the government and all the banks were on a specie basis. A little later the people lost confidence and runs on the bank followed. Specie pay-

50. A. Barton Hepburn, op. cit., p. 47
51. John P. Jones, Resumption and the Double Standard, p. 4
52. Edward C. Towne, op. cit., p/98

ments were suspended on January 1, 1862. In two weeks, all the silver coins disappeared.

Early in 1862, Congress authorized the issue of 150,000,000 of legal tender bills.[53] There was much opposition to this. One prominent Northern Senator even went so far as to say that fiat money was a worse evil than slavery. Its constitutionality was doubted.[54] Gold ceased to be used and so the entire country except on the Pacific Coast where gold was used, was flooded with these notes.[55]

In making small change, postage stamps were used. When they became too sticky, they were enclosed in tin cases and passed in this way from hand to hand.[56]

Secretary Chase stated in a letter of July 14, 1862 to Thaddeus Stevens that the depreciation of the currency had led to the issue of coins, checks, and tokens, of denomination less than one dollar, by hotels and business houses. A draft of a bill to prohibit such issues and allow the use of stamps as currency was submitted. On July 17, Sam Hooper of Massachusetts introduced a bill to carry this recommendation into effect. It passed the House by a vote of 62 to 40. The Senate passed the bill the same day. The Act is called "An Act to authorize payments in Stamps and to prohibit Circulation of Notes of less denomination than one dollar."[57] The Act is given below:

"Be it enacted...., That the Secretary of the Treasury be, and he is hereby directed to furnish to the Assistant Treasurers, and such designated depositaries of the United States as may be by him selected, in such sums as he may deem expedient,

53. Everett P. Wheeler, Real Bi-Metallism, p. 12
54. M. E. Ingalls, Greenbacks and Depreciated Currency, p. 2
55. John G. Carlisle, Speech on Ratio of 16 to 1, p. 7
56. Everett P. Wheeler, op. cit., p. 12
57. MacDonald, Select Statutes and Other Documents, p. 53

the postage and other stamps of the United States, to be exchanged by them, on application, for United States notes; and from and after the first day of August next such stamps shall be receivable in payment of all dues to the United States less than five dollars, and shall be received in exchange for United States notes when presented to any Assistant Treasurer or any designated depositary selected as aforesaid in sums not less than five dollars.

"Section 2. And be it Further Enacted, That from and after the first day of August, 1862, no private corporation, banking association, firm, or individual shall make, issue, circulate, or pay any note, check, memo, token, or other obligation, for a less sum than one dollar, intended to circulate as money or to be received or used in lieu of lawful money of the United States; and every person so offending shall, on conviction thereof in any district or circuit court of the United States, be punished by imprisonment not exceeding six months, or by both, at the option of the court."[58]
Approved, July 17, 1862.

The greenbacks or legal tender notes depreciated and varied greatly. Just before the battle of Gettysburg, greenbacks were worth forty cents on the dollar, and after the battle sixty cents. On June 4, 1864, the day after Grant lost 10,000 men in twenty minutes at Cold Harbor, they went down to thirty-five cents. This was the lowest point that they ever reached. For the four months before the close of the War, a dollar in gold was worth, on the average, $2.06 in greenbacks; for the four months just after the close of the War $1.42.[59]

Congress kept on issuing more and more dollars. This is shown by these figures:

1860-Number of Dollars in Circulation		$435,407,252
1865- " " " "	"	1,081,540,514[60]

Many of these new dollars were of paper bearing on them these words, "The United States will pay." The date when payment

58. MacDonald, Select Statutes and Other Documents, pp. 53 & 54
59. Hermon W. Cravan, op. cit., pp. 17 & 18
60. Mark Sullivan, Our Times, p. 158

was to be made was not specified; nor whether payment would be made in gold or silver. Those who were pleased with this period of inflation had this as a sort of comic verse:

"You can say what you please of the fifty-cent dollar;
But I tell you, it beats none at all, all holler."[61]

These legal tender notes became known as "Greenbacks."

After the war, the Government tried to withdraw these notes, and on February 4, 1868, Congress passed "An Act to suspend further Reduction of the Currency." It is as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That from and after the passage of this act, the authority of the Secretary of the Treasury to make any reduction of the currency, by retiring or cancelling United States notes, shall be, and is hereby, suspended; but nothing herein contained shall prevent the cancellation and destruction of mutilated United States notes, and the replacing of the same with notes of the same character and amount."[62]

During this time, the laws of 1864, 1865 and 1866 were passed which authorized a smaller token coinage; such as, coppers, nickels, and twenty-cent pieces.[63]

The Director of the Mint in his report of 1869 urged that silver currency be restored "for change" instead of the small note currency. This was to be the first step toward a general resumption of specie payments. His plan was for a very much more debased kind of coin. He said, in defense of his system:

"This is not a scheme for debasing the standard value. Its only object is to restore silver on such a basis, under legal sanctions, as will enable it to keep its subsidiary place, whether the chief currency be paper as it is now, or gold, as we hope it will soon be."[64] He thought also, that Nevada and Colorado could produce enough silver to meet the demand.

"An Act to Strengthen the Public Credit" was the first

61. Ibid, p. 159
62. United States Statutes at Large, February 4, 1868, Section 1
63. Arthur Burnham Woodford, op. cit., p. 13
64. Arthur Burnham Woodford, op. cit., p. 35

Act passed by President Grant, after his inauguration. It was passed in a special session of Congress, on March 18, 1869.[65]

The Act states, as follows:

"Be it enacted by the Senate and House of Representatives of the United States of America, in Congress assembled, That in order to remove any doubt as to the purpose of the government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpretations of the laws by virtue of which such obligations have been contracted, it is hereby provided and declared that the faith of the United States is solemnly pledged to the payment in coin or its (equivalent of all the obligations of the United States not bearing interest, known as United States notes, and of all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligation has expressly provided that the same may be paid in lawful money or other currency than gold and silver). But none of said interest-bearing obligations not already due shall be redeemed or paid before maturity unless at such time United States notes shall be convertible into coin at the option of the holder, or unless at such time bonds of the United States bearing a lower rate of interest than the bonds to be redeemed can be sold at par in coin. And the United States also solemnly pledges its faith to make provision at the earliest practicable period for the redemption of the United States notes in coin."[66]
Approved, March 18, 1869.

In 1869, a case came before the Supreme Court of the United States concerning the legal tender clause in the Act of 1862. The opinion of the Court was given by Chief Justice Chase and the dissenting opinion by Associate Justices, Miller, Swayne and Davis.

A portion of the Syllabus of the case to be found in 8 Wallace, 603, is as follows:

"The making of notes or bills of credit a legal tender in payment of pre-existing debts is not a means appropriate, plainly adapted, or really calculated to carry in effect any express power vested in Congress, is inconsistent with the spirit of the Constitution, and is prohibited by the Constitution. The clause in the acts of 1862 and 1863 which makes United States notes a legal tender in payment of all debts, public

65. Robert Schilling, The Silver Question, p. 7
66. United States Statutes at Large, March 18, 1869, Section 1

and private, is, so far as it applies to debts contracted before the passage of those acts, unwarranted by the Constitution.

Prior to the 25th of February, 1862, all contracts for the payment of money, not expressly stipulating otherwise, were in legal effect and universal understanding, contracts for the payment of coin, and, under the Constitution, the parties to such contracts are respectively entitled to demand and bound to pay the sums due, according to their terms, in coin, notwithstanding the clause in that act, and the subsequent acts of like tenor, which make United States notes a legal tender in payment of such debts."67

When this decision was made, there were but eight judges on the bench. Soon afterward, one of the judges resigned. The two vacancies were filled by Associate Justices William Strong and Joseph P. Bradley, in the year of 1870.68

The decision in the above case was overruled in the Cases of Knox versus Lee, and Parker versus Davis, in 12 Wallace, 457. The reasons for overruling the first case were given by Mr. Justice Strong in the Opinion of the Court, as follows:

"But, without extending our remarks further, it will be seen that we hold the acts of Congress constitutional as applied to contracts made either before or after their passage. In so holding, we overrule so much of what was decided in Hepburn versus Griswold (8 Wallace, 603), as ruled the acts unwarranted by the Constitution so far as they apply to contracts made before their enactment. That case was decided by a divided court, and by a court having a less number of judges than the law then in existence provided this court shall have. These cases have been heard before a full court, and they have received our most careful consideration. The questions involved are constitutional questions of the most vital importance to the government and to the public at large. We have been in the habit of treating cases involving a consideration of constitutional power differently from those which concern merely private right. (8 Peters, 118), Briscoe versus Bank of Kentucky. We are not accustomed to hear them in the absence of a full court, if it can be avoided. Even in cases involving only private rights, if convinced we had made a mistake, we would hear another argument and correct our error. And it

67. United States Supreme Court, 8 Wallace 603
68. W. S. Groesbeck, Gold and Silver, p. 5

is no unprecedented thing in courts of last resort, both in this country and in England, to overrule decisions previously made. We agree that this should not be done inconsiderately, but in a case of such far-reaching consequences as the present, thoroughly convinced as we are that Congress has not transgressed its powers, we regard it as our duty so to decide and to affirm these judgments."69

In the Opinion of Associate Justice Bradley concurring, as follows:

"Regarding the question of power as so important to the stability of the government, I cannot acquiesce in the decision of Hepburn versus Griswold. I cannot consent that the government should be deprived of one of its just powers by a decision made at the time, and under the circumstances, in which that decision was made. On a question relating to the power of the government, where I am perfectly satisfied that it has the power, I can never consent to abide by a decision denying it unless made with reasonable unanimity and acquiesced in by the country. Where the decision is recent, and is only made by a bare majority of the court, and during a time of public excitement on the subject, when the question has largely entered into the political discussions of the day, I consider it to a further examination, if a majority of the court are dissatisfied with the former decision. And in this case, with all deference and respect for the former judgment of the court, I am fully convinced that it was erroneous, and prejudicial to the rights, interest, and safety of the general government, that I, for one, have no hesitation in reviewing and overruling it. It should be remembered, that this court, at the very term in which, and within a few weeks after, the decision in Hepburn versus Griswold was delivered, when the vacancies on the bench were filled determined to hear the question reargued. This fact must necessarily have had the effect of apprising the country that the decision was <u>not</u> fully acquiesced in, and of obviating any injurious consequences to the business of the country by its reversal."70

Chief Justice Chase, with Associate Judges Nelson, Clifford and Field dissented.

69. <u>United States Supreme Court,</u> 12 Wallace 457, pp. 553 & 554
70. <u>United States Supreme Court</u>, 12 Wallace 457, pp. 569 & 570

CHAPTER V

SILVER FROM 1870 THROUGH 1875

In 1869, John Jay Knox, the Deputy Comptroller of the Currency prepared a bill to revise the mint laws. The bill did not contain any provision for the coinage of the silver dollar of four hundred and twelve and one-half grains, but it did provide for one equal to two half dollars, three hundred and eighty-four grains.

After it was prepared, he sent copies of it to some government officials whose duties made them familiar with the mintage laws. He also sent copies to a great many experts on coinage, in different parts of the country. A letter was addressed to each, asking that he examine and criticize it. Most of these replied in favor of it.[1]

Experts

A few of these opinions are quoted; the first, Robert Patterson, formerly Director of the Mint, said:

"The silver dollar, half dime, and three-cent piece are dispensed with by the enactment. Gold becomes the standard money of which the gold dollar is the unit. Silver is subsidiary, embracing coins from the dime to the half dollar; coins less than the dime are of copper, and nickel. The legal tender is limited to the necessities of the case;" and second,

Franklin Peale, formerly the Chief Coiner at the Philadelphia Mint, praised the abolition of the half dime and three-cent piece, and stated:

"Neither is the silver dollar desirable; its coinage should be discontinued. It is not wanted for change, which a

1. David K. Watson, History of American Coinage, pp. 123 & 124
2. Benjamin Carter, "The Crime of '73", Nation LXX (March 1,

proper silver coinage would supply;" and third,

J. Ross Snowden, formerly Superintendent of the Mint at Philadelphia, answered:

"I see it is proposed to demonetize the silver dollar. This I think inadvisable....It is quite true that the silver dollar, being more valuable than two half dollars or four quarter dollars, will not be used as a circulating medium, but only for cabinets, and perhaps to supply some occasioned or local demand; yet I think there is no necessity for so considerable a piece as the dollar to be struck from the metal which is only worth ninety four cents." and fourth,

Doctor Linderman, the Director of the Mint, said:

"Section 11, reduces the weight of the silver dollar from four hundred and twelve and one-half to three hundred and eighty-four grains. I can see no good reason for the proposed reduction in the weight of this coin. It would be better, in my opinion, to discontinue its issue altogether.

"The gold dollar is really the legal unit and measure of value. Having a higher value as bullion than its nominal value, the silver dollar long ago ceased to be the coin of circulation and, being of no practical use whatever, its issue should be discontinued. The judgment of nearly all the experts being against the useless coinage of silver dollars 'only for cabinets' of curious coins, it was omitted from the bill sent to Congress as before shown." and fifth,

Ernest Seyd, an English expert, in his letter, replied:

"You were kind enough to forward to Mr. Alfred Latham a copy of your coinage bill for the United States, to be sent to me, and you expressed a wish to receive criticisms on its provisions.

"Section 15. I now come to the most important part of the bill, that of the valuation which, according to Section 15, omits the coinage of the silver dollar, and confirms the debased silver coinage of half dollar and below, under the tender limit of five dollars. I am aware, of course, that through the amendment of 1853 the same debased coinage was already established; but, although the actual coinage of the silver dollar had practically ceased, still that piece was not abolished by law. As this new bill presumably repeals all previous enactments, I suppose that the total abolition of the silver dollar is contemplated.

"Permit me to beg that you will first investigate the question of double versus single valuation....

"Apart from the theory, why should America have given up her silver dollar? The cause of its disappearance from circulation is due to the original error of there being too much silver in the piece....That cause would have been removed if, the dollar weighed four hundred grains, that being the true proportion of 1 to 15 1/2 grains to silver, instead of four hundred and twelve and one-half grains, as the old law. Why should it not be introduced at its true full weight of four hundred grains and become again one of the active agents of commerce?"3

On June 4, 1870, the House of Representatives passed a resolution directing the Secretary of the Treasury to furnish the House with copies of this correspondence. The Secretary, on January 25th, sent "as far as practicable, copies of the correspondence called for." This correspondence was not made public until the publication of the report of the Director of the Mint for 1896. It was published as part of the report called "Documentary History of the Coinage Act of February 12, 1873."

Act of 1873

After the answers were received, another bill was prepared, leaving out the dollar. Copies were sent to the same people, most of whom approved.

Mr. Knox submitted the original bill to Mr. George S. Boutwell, Secretary of the Treasury, with a letter explaining the changes. He especially called attention to the fact that the bill did not provide for the coinage of the silver dollar. On this subject he said:

"The coinage of the silver dollar piece, the history of

3. James T. McCleary, <u>Against Unrestricted Coinage of Silver,</u> pp. 31 & 32

which is given, is discontinued in the proposed bill. It is by law the dollar unit, and, assuming the value of gold to be 15 1/2 times that of silver, being about the mean ratio for the past six years, is worth in gold a premium of about three per cent (its value being $1.0312) and intrinsically more than seven per cent premium in our other silver coins, its value being $1.0742. The present laws consequently authorize both a gold dollar unit and a silver dollar unit, differing from each other in intrinsic value. The present gold dollar piece is made the dollar unit in the proposed bill, and the silver dollar is discontinued. If, however, such a coin is authorized, it should be issued only as a commercial dollar, not as a standard unit of account; and of the exact value of the Mexican dollar, which is the favorite for circulation in China and Japan and other oriental countries."

On April 25, 1870, the Secretary Boutwell addressed the following letter concerning the bill to John Sherman, Chairman of the Committee on Coinage in the Senate:

"Treasury Dep't., Apr.25, 1870

"Sir:- I have the honor to transmit herewith a bill revising the laws relative to the mint, assay offices, and coinage of the United States, and accompanying report. The bill has been prepared under the supervision of John Jay Knox, Deputy Comptroller of the Currency, and its passage is recommended in the form presented. It includes, in a condensed form, all the important legislation upon the coinage, not now obsolete, since the first mint was established in 1792; and the report gives a concise statement of the various amendments proposed to the existing laws and the necessity for the change recommended. There has been no revision of the laws pertaining to the mint and coinage since 1837, and it is believed that the passage of the enclosed bill will conduce greatly to the efficiency and economy of this important branch of the government service.

"I am, very respectfully, your obedient servant,

"George S. Boutwell,
"Sec. of the Treasury."[4]

On April 28th, it was referred to the Senate Finance Committee. On May 2nd, five hundred copies were printed. On June 25th, it was submitted to the House.[5]

On December 19th, the Finance Committee reported the bill

4. David K. Watson, _op. cit._, pp. 124 & 126
5. Rozel Weissinger, _What is Money?_ p. 134

to the Senate with amendments.[6] It came before the Senate and was debated for three days by Senators Sherman, Sumner, Bayard, Stewart of Nevada, Williams, Casserly, Morrill and others. It was passed by a vote of 36 to 14, on January 10, 1871.

Senator Sherman said: "The bill was printed over and over again, finally reported and brought before the Senate. It was debated there for three days. Every Senator from the Pacific Coast spoke upon the measure....The only yea and nay vote in the Senate on the passage of that bill occurred on the tenth of January 1871. Those who voted in favor of the bill were Messrs. Bayard, Boreman, Brownlow, Casserly, Cole, Conklin, Corbett, Davis, Gilbert, Hamlin, Herlan, Jewett, Johnston, Kellogg, McCreary, Morton, Nye, Patterson, Pomeroy, Pool, Ramsey, Rice, Saulsbury, Spencer, Stewart, Stockton, Sumner, Thurman, Tipton, Trumbull, Vickers, Warner, Willey, Williams, Wilson and Yale - 36."[7]

It went back to the House January 13, 1871, and was ordered printed. It was then given to the Coinage Committee. Nothing else was done with the bill in this session of Congress. In the next one Representative Kelly of Pennsylvania reported it back from the Committee.[8] In his opening speech he said: "The Senate took up the bill and acted upon it during the last Congress, and it received as careful attention as I have ever known a committee to bestow upon any measure."

"We proceeded with great deliberation to go over the bill, not only section by section, but line by line and word by word. The attention of each member was brought to it at the earliest day of this session; each member procured a copy and there has been a thorough examination of the bill again."[9]

He added an amendment. The bill was printed and reported back, on February 25, 1871. On March 9th, Mr. Kelly reported back the original bill and it was ordered printed. On January

6. A. Barton Hepburn, A.History of the Coinage and Currency in the United States, p. 278
7. David K. Watson, op. cit., pp. 127 to 129
8. A. Barton Hepburn, op. cit., p. 278
9. James T. McCleary, op. cit., pp. 29 & 30

10, 1872, the bill was recommitted. On February 9th, it was again reported from the Coinage Committee.[10]

On February 13th, it was reported back by Mr. Hooper. It contained the following amending provision:

"Section 16. That the silver coins of the United States shall be a dollar, a half dollar, or fifty cent piece, a quarter, or twenty-five cent piece, and a dime, or ten cent piece; and the weight of the dollar shall be three hundred and eighty-four grains; the half dollar, quarter dollar, and the dime shall be, respectively, one-half, one-quarter and one-tenth of the weight of said dollar; which coin shall be a legal tender at their denominational value for any amount not exceeding five dollars in any one payment." It was printed.

On April 9, 1872, it was debated and every section discussed in the House, by Mr. Hooper, then in charge of the coinage revision bill, in a speech of ten columns. When he discussed the silver coins, he said:

"Section 16 re-enacts the provisions of the existing laws defining the silver coins and their weights, respectively, except in relation to the silver dollar, which is reduced in weight from four hundred and twelve and one-half to three hundred and eighty-four grains; thus making it a subsidiary coin in harmony with the silver coins of less denomination, to secure it concurrent circulation with them. The silver dollar of four hundred and twelve and one-half grains, by reasons of its bullion or intrinsic value being greater than its nominal value, long since ceased to be a coin of circulation, and is melted by manufacturers of silverware. It does not circulate now in commercial transactions with any country, and the convenience of these manufacturers in this respect can better be met by supplying small stamped bars of the same standard, avoiding the useless expense of coining the dollar for that purpose."[11]

In another part, he said with regard to the object of the measure:

"It declares the gold dollar of twenty-five and eight tenths grains of standard gold to be the unit of value - gold practically having been in this country for many years the standard or measure of value, as it is legally in Great Britain and most of the European countries. The silver dollar, which

10. David K. Watson, <u>op. cit.</u>, p. 130
11. James T. McCleary, <u>op. cit.</u>, pp. 29 & 30

by law is now the legally declared unit of value, does not bear a correct relative proportion to the gold dollar. Being worth intrinsically about $1.03 in gold, it cannot circulate concurrently with the gold coins."

In Mr. Stoughton's speech, he said:

"The silver coins provided for are the dollar, three hundred and eighty-four grains troy, the half dollar, quarter dollar, and dime; of the value and weight of one half, one quarter and one tenth of the dollar respectively; and they are made a legal tender for all sums not exceeding five dollars in any one payment. The silver dollar, as now issued, is worth for bullion three and one-quarter cents more than the gold dollar, and seven and one-quarter cents more than the two and one-half dollar. Having a greater intrinsic and nominal value, it is certain to be withdrawn from circulation whenever we return to specie payments, and to be used for only manufacture and exportation as bullion."

Mr. Potter, in discussing this part of the bill said:

"Mr. Speaker, this is a bill of importance. When it was before the House in the early part of this session I took some objections to it which I am inclined now to think, in view too of all the circumstances, were not entirely well founded, but after further reflection, I am still convinced that it is a measure which it is hardly worth while for us to adopt at this time....This bill provides for the making of changes in the legal-tender coin of the country and for substituting as legal tender coin of only one metal instead as heretofore of two. I think myself, this would be a wise provision, and that legal-tender coins, except subsidiary coin, should be gold alone; but why should we legislate on this now when we are not using either of those metals as a circulating medium?

The bill provides also for a change in respect of the weight and value of the silver dollar, which I think is a subject which, when we come to require legislation about it at all, will demand at our hands very serious consideration, and which, as we are not using such coins for circulation now, seems at this time to be an unnecessary subject about which to legislate."

Mr. Kelly said, in part:

"I wish to ask the gentleman who has just spoken (Mr. Potter), if he knows of any government in the world which makes its subsidiary coinage of full value? The silver coin of England is ten per cent below the value of her gold coin, and for this reason: It is impossible to retain the double standard. The values of gold and silver continually fluctuate. You can-

not determine this year what will be the relative values of gold and silver next year. They were 15 to 1 a short time ago; they are 16 to 1 now.

Hence all the experience has shown that you must have one standard coin, which shall be a legal tender for all others, and then you may promote your domestic convenience by having a subsidiary coinage of silver, which shall circulate in all parts of your country as legal tender for a limited amount and be redeemable at its face value by your Government. But, sir, I again call the attention of the House to the fact that the gentlemen who oppose this bill insist upon maintaining a silver dollar worth three and one-half cents more than the gold dollar and worth seven and one-half cents more than two half dollars, and that so long as those provisions remain you cannot keep silver coin in the country."

In another part, he said:

"Every coin that is not gold is subsidiary. I repeat it sir. Every coin that is not gold is subsidiary."[12]

The bill was again called up on May 27, 1872, for the purpose of amendments. It was amended and passed by a vote of 110-13. It, then, went back to the Senate. On May 29, 1872, it was ordered printed and referred to the Finance Committee. It was again reported back to the Senate by Senator Sherman on December 16, 1872.[13]

Mr. Boutwell made a report in December, 1892. An extract follows:

"In the last ten years the commercial value of silver, has depreciated about three per cent as compared with gold, and its use as currency has been discontinued by Germany and some other countries. The financial condition of the United States has prevented the use of silver as currency for more than ten years; and I am of the opinion that upon grounds of public policy, no attempt should be made to introduce it, but that the coinage should be limited to commercial purposes, and designed exclusively for commercial uses with other nations."[14]

It was again reported back to the Senate on January 7,

12. James T. McCleary, op. cit., p. 31
13. David K. Watson, op. cit., p. 131
14. Boutwell, Speech on Mint Bill of 1873, pp. 9 & 10

1873, with an amendment substituting a silver dollar of four hundred and twenty grains for that of three hundred and eighty-four grains and printed for the information of the Senate. The four hundred and twenty grain dollar was to be a "trade dollar," for use in China trade. It was especially made for the convenience of the people in California.[15] This bill finally passed the Senate on January 17, 1873.

The bill went back to the House on January 21, 1873, and was again printed with the amendments. A Committee of Conference was then appointed by the House and Senate. The report of the Committee was agreed to.[16] The bill passed. It was signed by the presiding officers of both Houses and by the President. It became a law on February 12, 1873 in practically the original form as proposed three years previous.[17]

The portion of the Act, that relates to coinage is given below:

"Section 14. That the gold coins of the United States shall be a one-dollar piece, which, at the standard weight of twenty-five and eight-tenths grains, shall be the unit of value; a quarter-eagle, or two-and-a half dollar piece; a three-dollar piece; a half-eagle, or five-dollar piece; and an eagle, or ten-dollar piece; and a double eagle, or twenty-dollar piece. And the standard weight of the gold dollar shall be twenty-five and eight-tenths grains; of the quarter eagle, or two-and-a-half dollar piece, sixty-four and one-half grains; of the three-dollar piece, sixty-seven and four-tenths grains of the half-eagle or five-dollar piece; one hundred and twenty-nine grains, of the eagle or ten-dollar piece; two hundred and fifty-eight grains, of the double-eagle or twenty-dollar piece, five hundred and sixteen grains; which coins shall be a legal tender in all payments at their nominal value when not below the standard weight and limit of tolerance provided in this act for the single piece, and, when reduced in weight, below said standard and tolerance, shall be a legal tender at valuation in proportion to their actual weight; and any gold coin of the United States, if reduced in weight

15. Robert S. Taylor, The Silver Question, p. 22
16. David K. Watson, op. cit., pp. 135 & 136
17. James T. McCleary, op. cit., p. 29

by natural abrasion not more than one-half of one per cent below the standard weight prescribed by law, after a circulation of twenty years, as shown by its date of coinage, and at a ratable proportion for any period less than twenty years, shall be received at their nominal value by the United States treasury and its offices, under such regulations as the Secretary of the Treasury may prescribe for the protection of the government against fraudulent abrasion or other practices; and any gold coins in the treasury of the United States reduced in weight below this limit of abrasion shall be recoined.

Section 15. That the silver coins of the United States shall be a trade-dollar, a half-dollar, or fifty-cent piece, a quarter-dollar or twenty-five cent piece, a dime or ten cent piece, and the weight of the trade-dollar shall be four hundred and twenty grains troy; the weight of the half-dollar shall be twelve grams (grammes) and one-half of a gram (grammes), the quarter-dollar and the dime shall be respectively, one-half and one-fifth of the weight of said half-dollar; and said coins shall be a legal tender at their nominal value for any amount not exceeding five dollars in any one payment.

Section 16. That the minor coins of the United States shall be a five-cent piece, a three-cent piece, and a one-cent piece, and the alloy for the five and three cent pieces shall be of copper and nickel, to be composed of three-fourths copper and one-fourth nickel, and the alloy of the one-cent piece shall be ninety-five percentum of copper and five per centum of tin and zinc, in such proportions as shall be determined by the director of the mint. The weight of the piece of five cents shall be seventy-seven and sixteen one hundredths grains, troy; of the three-cent piece, thirty grains; and of the one-cent piece, forty-eight grains; which coins shall be a legal tender, at their nominal value, for any not exceeding twenty-five cents in any one payment.

Section 17. That no coins, either of gold, silver, or minor coinage, shall hereafter be issued from the mint other than those of the denominations, standards, and weights herein set forth."18

The Act of 1873 was printed separately eleven times and twice in reports. Both made by the Deputy Comptroller of the Currency. It was considered at length by the Finance Committee of the Senate, and the Coinage Committee of the House, in five different sessions of Congress. The debates on it in the

18. United States Statutes at Large, February 12, 1873, Sections 15, 16 and 17

Senate take up sixty-seven columns of the Congressional Globe[19] and in the House, sixty-eight columns. It also was printed[20] and reprinted in every prominent newspaper of the country.

Proceedings	Senate	House
"Submitted by the Secretary of the Treasury	Apr. 25, 1870	
Referred to Senate Finance Committee	Apr. 28, 1870	
Five hundred copies printed	May 2, 1870	
Submitted to House		June 25, 1870
Reported, amended and ordered printed	Dec. 19, 1870	
Debated	Jan. 9, 1871	
Passed, by vote 36-14	Jan. 10, 1871	
Senate bill ordered printed		Jan. 13, 1871
Bill reported with substitute, and recommitted		Feb. 25, 1871
Original bill reintroduced and printed		Mar. 9, 1871
Reported and debated		Jan. 9, 1872
Recommitted		Jan. 10, 1872
Reported back, amended and printed		Feb. 13, 1872
Debated		Apr. 9, 1872
Amended and passed by vote of 110-13		May 27, 1872
Printed in Senate	May 29, 1872	
Reported, amended and printed	Dec. 16, 1872	
Reported, amended and printed	Jan. 7, 1873	
Passed Senate	Jan. 17, 1873	
Printed with amendments Conference Committee appointed-		Jan. 21, 1873
Became a law February 12, 1873."[21]		

The reasons for this Act were that not one silver dollar had been coined between 1805 and 1835. The commercial ratio was 15.79 in 1805 and 15.80 in 1835. The average coinage a year was only $173,466. The total form 1836-1873 was only $6,591,721. The price of silver had never dropped below

19. Isaac Roberts, Wages, Fixed Incomes and the Free Coinage of Silver, p. 79
20. James G. Batterson, Gold and Silver as Currency, p. 40
21. Rozel Weissinger, op. cit., p. 34

$1.19 an ounce since 1789.[22] The Act of 1834 has undervalued silver as compared with gold, therefore, the silver was not brought to the mint.[23] It was melted down and sold as bullion for the three per cent profit. Those who used it in manufacturing, had people everywhere gathering it up.[24] The mine owners for these reasons were not interested in coinage. What had gone on for about forty years they hoped would continue.[25]

When speaking on another subject, a few months later, Mr. Stewart, the Senator from Nevada said: "I want the standard gold, and no paper money not redeemable in gold."

On February 29, 1874, he said:

"By this process we shall come to a specie basis, and when the laboring man receives a dollar it will have the purchasing power of a dollar, and he will not be called upon to do what is impossible for him or the producing classes to do, figure upon the exchanges, figure upon the fluctuations, figure upon the gambling in New York; but he will know what his money is worth. Gold is the universal standard of the world. Everybody knows what a dollar in gold is worth."[26]

On April 11, 1874, E. R. Hoar, of Massachusetts, offered the following resolution as an amendment: "That from and after the first day of September 1874, nothing but gold and silver coin of the United States shall be a legal tender in the payment of any debt thereafter contracted. Later he changed the date on which it was to become effective to April 14th." This amendment was lost by a vote of 71-70.[27]

Congress adopted a revision of the Statutes then in force on June 22, 1875. It provided that "the silver coins of the United States shall be a legal tender at their nominal value

22. Edward C. Towne, _The Story of Money_, p. 184
23. Boutwell, _op. cit._, pp. 4 & 5
24. Louis R. Ehrich, _The Question of Silver_, pp. 20 & 21
25. _Ibid_, p. 20
26. James T. McCleary, _op. cit._, p. 31
27. George M. Weston, _The Silver Question_, p. 186

for any amount not exceeding five dollars in any one payment."

In the Senate, on March 23, 1874, a bill providing for the redemption and reissue of United States notes in coin or bonds after January 1, 1876, was reported by Mr. Sherman. It passed the Senate on April 6th, and the House on April 14th, but was vetoed by President Grant.

A Committee of Republican members of Congress prepared a bill for the resumption of specie payments. They submitted it to the Senate Committee on Finance. It was reported by Mr. Sherman on December 21, 1874. It passed the Senate on the next day by a vote of 32 to 14. It was brought up in the House of Representatives on January 7, 1875. The bill passed that same day with a vote of 136 to 98, 54 not voting.[28]

The Act states:

"Be it enacted...., That the Secretary of the Treasury is hereby authorized and required, as rapidly as practicable, to cause to be coined at the mints of the United States, silver coins of the denominations of ten, twenty-five, and fifty cents, of standard value, and to issue them in redemption of an equal number and amount of fractional currency of similar denominations, or, at his discretion, he may issue such silver coins through the mints, the subtreasuries, public depositaries, and post-offices of the United States; and, upon such issue, he is hereby authorized and required to redeem an equal amount of such fractional currency, until the whole amount of such fractional currency outstanding shall be redeemed.

Section 2. That so much of section 3524 of the Revised Statutes of the United States as provides for a charge of one-fifth of one per cent for converting standard gold bullion into coin is hereby repealed, and hereafter no charge shall be made for that service.

Section 3. That section 5177 of the Revised Statutes of the United States, limiting the aggregate amount of circulating notes of natural banking-associations, be, and is hereby, repealed; and each existing banking-association may increase

28. MacDonald, <u>Select Statutes and Other Documents</u>, p. 301

its circulating-notes in accordance with existing law without respect to said aggregate limit; and new banking-associations may be organized in accordance with existing law without respect to said aggregate limit; and the provisions of law for the withdrawal and redistribution of natural-bank currency among the several States and Territories are hereby repealed. And whenever, and so often, as circulating-notes shall be issued to any such banking-association, so increasing its capital or increasing its circulating-notes, or so newly organized as aforesaid, it shall be the duty of the Secretary of the Treasury to redeem the legal-tender United States notes in excess only of three hundred million of dollars, to the amount of eighty per cent of the sum of natural bank notes so issued to any such banking-association as aforesaid, and to continue such redemption as such circulating-notes are issued until there shall be outstanding the sum of three hundred million dollars of such legal-tender United States notes, and no more. And on and after the first day of January, anno Domini 1879, the Secretary of the Treasury shall redeem, in coin, the United States legal-tender notes then outstanding on their presentation for redemption, at the office of the assistant-treasurer of the United States in the City of New York, in sums of not less than fifty dollars. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues, from time to time in the Treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par, in coin, either of the descriptions of bonds of the United States described in the Act of Congress approved July 14th, 1870, entitled, "An Act to authorize the refunding of the national debt," with like qualities, privileges, and exemptions, to the extent necessary to carry this act into full effect, and to use the proceeds, thereof for the purposes aforesaid. And all provisions of law inconsistent with the provisions of this act are hereby repealed. Approved January 1, 1875.29

President Grant sent an approving message to Congress on January 14, 1875. He said: "With the present facilities for coinage, it would take a period probably beyond that fixed by law for final specie resumption to coin the silver necessary to transact the business of the country."[30]

By this Act and the one of April 17, 1876, Congress authorized the issuance by the Secretary of the Treasury of silver coins of fractional denominations and of standard value

29. United States Statutes at Large, January 14, 1875, Sections 1, 2 and 3
30. A. J. Warner, The Unlimited Coinage of Silver, p. 3

with which to redeem an equal amount of fractional paper currency. The issue was limited at $50,000,000. The largest amount ever in circulation at any time was $49,102,600.27.[31]

On March 3, 1875, an Act was passed that provided for the coinage of a twenty-cent piece with exact proportion of weight to the other subsidiary pieces.[32]

In a very short time after 1873, new mines of Nevada were discovered. People began to interest themselves again in silver because of specie resumption. These efforts led to an attempt to again get silver made a standard with gold.

31. David K. Watson, op. cit., p. 139
32. A. Barton Hepburn, op. cit., p. 280

CHAPTER VI

SILVER SITUATION IN EUROPE AND ITS INFLUENCE ON AMERICA

The Early State of Affairs

England adopted bimetallism in 1717.[1] She went on the gold standard, legally in 1816, but not in fact until 1821.[2] This caused the premium on gold to rise everywhere. In the United States it rose from six to eight per cent.[3]

The French adopted as their bimetallic ratio 15 1/2 to 1 in 1785. This was confirmed by the First Napoleon in the famous law of 1803. The Spanish ratio was 16 to 1, during most of this time. The United States adopted the Spanish ratio in 1834.[4]

The Latin Union

A Conference was held by France, Italy and Belgium in order to find a way to protect their people from the light-weight Swiss Coins. This conference lead to a Monetary Convention. At this convention the Latin Union was formed on December 22, 1865. The members were Belgium, Switzerland, Italy, and France and her colonies. Greece came in in 1867.

The Union adopted, for fifteen years, the double standard. They accepted the French ratio, 15 1/2 to 1. Coinage was to be free. The subsidiary coins were to be limited to six francs per person, reduced in fineness and coined only on government account. The coinage of the five franc silver

1. William Brough, The Natural Law of Money, p. 40
2. George M. Weston, The Silver Question, p. 2
3. Nathaniel P. Hill, Speeches and Papers on the Silver, etc., p. 69
4. Nathaniel P. Hill, Ibid.,

pieces and gold was to be unlimited.[5]

The Effect of the Franco-Prussian War

Germany had discarded the gold standard in 1857, due to the great gold output of California and Australia.[6] After the Franco-German War, she received an enormous war indemnity from France of 5,000,000 francs of $965,000,000 in gold. A unified currency was adopted. The banking system of England and its gold standard were copied, and set in operation by a decree to take effect on July 9, 1873. The gold standard was adopted, because of fear of what the estimated amount of silver from the newly-discovered silver mines in America would do to the coinage of any nation holding silver. Germany then melted her former silver currency and sold the greater part of it at a loss of ten per cent of its value.[7] The gold when sold by Germany, went to the mints of the Latin Union. The result was that during 1873 about $53,000,000 of silver was brought to the mints of France and Belgium for coinage, while in 1872, only about $6,400,000 was coined there.[8]

France, in order to avoid being swamped, under this German silver, stopped the free coinage of silver and made coinage of silver only on government account the law....The other nations of the Latin Union in 1874, did the same.[9]

5. George M. Coffin, Silver and Common Sense, p. 8
   M. A. Miller, Gold or Silver? pp. 55 & 56
6. Henry G. Miller, Silver Legislation of 1890, p. 5
7. A. Barton Hepburn, History of Coinage and Currency in the United States, p. 275
8. George M. Coffin, op. cit., p. 19
9. A. Barton Hepburn, op. cit., p. 277

Latter Nineteenth Century

In 1872, the Scandinavian Union, Norway, Sweden and Denmark, entered into a Monetary Treaty which made gold the standard, and the subsidiary coins of silver.[10] In 1873, Holland stopped all coinage of silver and adopted the gold standard in 1875.[11]

Disraeli (Lord Beaconsfield) in Glasgow, on November 19, 1873 in a part of the speech delivered when he was installed as the Rector of the University of Glasgow, said:[12]

"When the various states of Europe suddenly determined to have a gold standard, and took steps to carry it into effect, it was quite evident that we must prepare ourselves for great convulsions in the money-market; not occasioned by speculation or any old cause, which has been alleged, but by a new cause with which we are not sufficiently acquainted, and the consequences of which are very embarrassing."[13]

Many historians hold that the determination for a gold standard and the placing of silver on the market for sale, was one of the causes for reducing the price of silver.

The Critical Years

In 1875 Switzerland suspended the coinage of Silver.

In 1876 by a Spanish Royal Decree, the mints of Spain were closed against private depositors. It declared, also, that at the earliest possible moment, the government proposed to demonetize silver for all sums over twenty-eight dollars. In the Dutch Legislative Chambers, through a ministerial project, the idea was introduced of restricting the coinage of

10. Hermon W. Craven, Errors of Populism, p. 107
11. James G. Batterson, Gold and Silver as Currency, p. 65
12. Henry G. Miller, op. cit., p. 5
13. George N. Jackson, The Present and Future of Silver, p. 64

silver in Java.[14] France ended the coinage of silver and Russia also, except for Chinese Trade.

In 1878 Spain prohibited the free coinage of silver and the Latin Union stopped the coinage of silver.

Roumania in 1890 adopted the gold standard. She melted down her silver coins and placed the bullion on the market.[15]

The bankruptcy of the Baring Brothers of London in 1890, brought its reaction in New York. The Bank of England took over the Baring Brothers affairs. It borrowed $15,000,000 in gold from the Bank of France. This borrowing was regarded as a warning by the other nations of Europe. The banks began to gather gold from everywhere, but principally from the United States, since the United States Treasury had no safe-guards to protect it. By the end of 1890 over $54,000,000 worth of gold had been exported; thus began the drain of gold from our Treasury that eventually produced the gold standard in the United States.[16]

In 1879, Austria and in 1892 Hungary prevented the free coinage of silver and adopted the gold standard.[17] India, on June 26, 1893, which for many years had been coining silver at the average rate of $36,000,000 per year, stopped the coinage of silver.[18] The Rothschilds granted Austria a loan of

14. William Brown, Silver in its Relations to Industry and Trade, p. 32
15. Hermon W. Craven, op. cit., p. 107
16. A. Barton Hepburn, op. cit., p. 364
17. James G. Batterson, op. cit., p. 19
18. Hermon W. Craven, op. cit., p. 107

one hundred and seventy-five millions, on condition that she change to the gold standard and convert her two and one-half billions of silver basis bonds into gold four per cent bond. Rothschilds, also, caused the British ministry to place India on the gold standard.[19] On the same day, the value of the American silver dollar fell from sixty-seven cents to below sixty cents in gold.

The steadily increasing use of gold as a standard and the marketing of silver beginning with England's adoption of[20] the gold standard, led to movement for Bimetallism or Free Silver in the United States, because the price of silver went lower and lower through these years.[21]

19. Sidney Dell, Free Silver, p. 43
20. Mark Sullivan, Our Times, Volume I, p. 170
21. S. Dana Horton, Silver: An Issue of International Politics, p. 8

CHAPTER VII

MONETARY CONFERENCES

First International Monetary Conference-1867

The First International Monetary Conference was held at Paris, June 17, 1867, on the invitation of the Government of France. The United States of America and eighteen European countries, Great Britain, France, Austria, Bavaria, Baden, Belgium, Denmark, Spain, Greece, Italy, The Netherlands, Portugal, Prussia, Russia, Sweden, Norway, Switzerland, Turkey and Wurtemburg participated.[1] Prince Napoleon (Jerome) presided.[2] There were seven meetings between June 17th to July 6th. The main question was the possibility of minting a gold international coin.[3]

The invitation was accepted by the United States and Samuel B. Ruggles, an active member of the Chamber of Commerce of New York, then in Paris and John Sherman, then chairman of the United States Finance Commission were appointed the United States Representatives. They both acted to induce the Conference to accept the gold standard.[4]

At the session of June 20th, Mr. Ruggles said: "The legislators and the people of the United States have sufficiently learned, if not by study, at least by experience, that the system of a double standard is not only a fallacy, but an impossibility."[5]

1. James G. Batterson, Gold and Silver as Currency, p. 41
2. Shelby M. Cullona, Sound Money, p. 10
3. Thomas Balch, Free Coinage and a Self-adjusting Ratio, p. 16
4. George M. Weston, The Silver Question, p. 52
5. Henry G. Miller, Chapters on Silver, p. 44

M. Mees, the President of the Bank of the Netherland, advised that each European nation should have a single standard, but not the same. In this way, both silver and gold would be used. This was considered essential.[6]

The result was an unanimous agreement for gold as the standard. The Conference closed July 6, 1867.[7] Nothing was done toward establishing an International Coin. The Nations of Europe who took part at the Conference, did nothing after the Conference was over toward establishing gold as their standards. The French Government, although given the power to reopen the Conference, never did so.[8]

Second International Monetary Conference-1878

Congress, on February 28, 1878, passed the Act known as the Bland-Allison Act. Section 2 of this Act provided:

"That immediately after the passage of this act, the President shall invite the governments of the countries composing the Latin Union, so-called, and of such other European nations as he may deem advisable, to join the United States in a conference to adopt a common ratio between gold and silver, for the purpose of establishing, internationally, the use of bimetallic money, and securing fixity of relative value between those metals; such conference to be held at such places in Europe or in the United States, at such time within six months, as may be mutually agreed upon by the executives of the governments joining in the same, whenever the governments so invited, or any three of them, shall have signified their willingness to unite in the same.

The President shall by and with the advice and consent of the Senate, appoint three commissioners, who shall attend such conference on behalf of the United States, and shall report the doings thereof to the President, who shall transmit the same to Congress."[9]

After an invitation from France to hold the meeting at

6. George M. Weston, op. cit., p. 17
7. James G. Batterson, op. cit., p. 41
8. Shelby M. Cullom, op. cit., p. 10
9. United States Statutes at Large, February 28, 1878, Section 2

Paris,[10] the Chief commercial nations were invited by the President.[11] Twelve Nations, namely; Great Britain, France, Austria, Hungary, Belgium, Italy, the Netherlands, Russia, Sweden, Norway Switzerland, Greece and United States, sent delegates to the Conference to begin on August 10, 1878.[12] Before the end, other nations joined.[13]

The United States was represented by Reuben E. Fenton of New York, W. S. Groesbeck of Ohio, and Francis A. Walker of Massachusetts with S. Dana Horton as Secretary.[14]

Mr. Groesbeck, on behalf of the United States, laid two propositions before the Conference:

"(1) That it was not to be desired that silver be excluded from free coinage in Europe and in the United States.

"(2) That the use of both gold and silver as unlimited legal tender may be safely adopted by equalizing them at a ratio fixed by international agreement."[15]

These were discussed at all the seven sessions of the Conferences.[16] Belgium, Switzerland and Norway opposed these. Mr. Fee-Herzog, the delegate from Switzerland, said: "In Switzerland and Belgium it is hoped that silver after a period of transition, during which it will only have legal tender for a small sum, may be finally reduced to the simple role of fractional money."[17]

10. James G. Batterson, op. cit., p. 42
11. A. Barton Hepburn, History of Coinage and Currency in the United States, p. 291
12. James G. Batterson, op. cit., p. 43
13. Maurice L. Muhleman, International Bimetallic Conference, p. 132
14. A. Barton Hepburn, op. cit., p. 291
15. R. Evlis, Uncle Sam's Dream, p. 149
16. James G. Batterson, op. cit., p. 43
17. Louis R. Ehrich, The Question of Silver, p. 90

Mr. Primez, one of the delegates from Belgium, held the opinion that these Nations combined couldn't safely enter into an international agreement as to silver.[18]

Great Britain and Germany's delegates, along with those of some other countries, had no power to bind their nations.[19] Great Britain's delegates desired silver to be used because of India, but couldn't favor the double standard.

France, while favoring bimetallic currency in theory, felt it impracticable at the time.

Italy, alone, wanted the American proposals adopted.[20]

The American propositions were:

"1. It is the opinion of this assembly that it is not to be desired that Silver should be excluded from free Coinage in Europe and in the United States of America. On the contrary, the assembly believe that it is desirable that the unrestricted Coinage of Silver, and its use as Money of unlimited Legal Tender, should be retained where they exist, and, as far as practicable, restored where they have ceased to exist.

"2. The use of both Gold and Silver as unlimited Legal-Tender Money may be safely adopted; first, by equalizing them at a relation to be fixed by international agreement and, secondly, by granting to each metal at the relation fixed equal terms of Coinage, making no discrimination between them."[21]

The propositions of the European delegates, except those of Italy, were presented by the President, Mr. Leon Say and were:[22]

"1. That it is necessary to maintain in the world the monetary functions of Silver as well as those of Gold, but that the selection for use of one or the other of the two metals, or of both simultaneously, should be governed by the special position of each State or group of States.

"2. That the question of the restriction of the Coinage of Silver should equally be left to the discretion of each State or group of States, according to the particular circumstances in which they may find themselves placed; and the more so, in

18. Jacob H. Gallinger, Silver Coinage, p. 11
19. Maurice L. Mukleman, op. cit., p. 132
20. A. Barton Hepburn, op. cit., p. 294
21. A. Barton Hepburn, op. cit., p. 293
22. R. Evlis, op. cit., p. 149

that the disturbance produced during the recent years in the Silver market has variously affected the monetary situation of the several countries.

"3. That the differences of opinion which have appeared, and the fact that even some of the States, which have the Double Standard find it impossible to enter into a mutual engagement with regard to the free Coinage of Silver, exclude the discussion of the adoption of a common ratio between the two metals."23

From the report of the Commissions of the United States to the President comes the following:

"That Conference (1867), animated by a controlling desire to secure a uniformity of money prices among the nations there represented, and deeming that it saw in gold monometallism the means of doing this, recommended that policy, with very little consideration of the sacrifices it would require from production and trade. By an almost unanimous vote, that Conference pronounced in favor of gold, silver to be retained as money of full power only during the period of transition to gold, which might be longer or shorter in the case of different states.

"Inasmuch as eleven years have been allowed for discussion and reflection since this memorable declaration was made; as the rejection of silver as money of full power has in part been carried out; and inasmuch as great loss has already been entailed upon production and trade, as the initial cost of that movement, the scheme for the general demonetization of silver, throughout the civilized states, if indeed it were sound and judicious in 1867, ought to stand more firmly still in 1878.

"Yet it was the unmistakable sentiment, of this Conference, convoked by the United States, that the demonetization of silver, had proceeded farther than was compatible with the interests of Europe and America; and while diplomatic considerations prevented the formal declaration of any opinion which would have been offensive to the minority, the Conference did not hesitate to declare that the monetary functions of silver ought to be maintained as well as those of gold. Monometallism, in the sense of the Conference, was advocated in that of 1878 by only three delegations, none of which represented populus states.

"In this connection, the position of England is worthy of especial remark. That nation had set the example of demonetizing silver, and after the Conference of 1867 recommended the general adoption of gold monometallism.

23. A. Barton Hepburn, *op. cit.*, p. 294

The Chancellor of the Exchequer, in Parliament, congratulated the country that Europe was preparing to follow in the same course. The Conference of 1878 was attended on behalf of Great Britain by a delegation eminent for experience and economical authority, whose chairman, the head of the Parliamentary Committee of 1876 on the 'depreciation of silver', declared that universal gold monometallism was not only utopian, but would prove a false utopia; that the consequences of German demonetization had been greatly to derange trade, and disturb international exchange; and that once the movement for the rejection of silver as money of full power to proceed from state to state the results would not be less than disasterous."[24]

As a result of the publication of the Report of the Commissions, there arose in the United States a district body of conservative silver advocates, who favored bimetallism based on international action of all the commercial nations. They had relations with foreign bodies wishing the same. They, with the gold standard advocates, of the two leading parties, numbered enough to prevent the efforts of those who wished the free coinage of silver by the United States alone. These bimetallists labored for another conference because they considered that there was not enough gold to serve the world's needs.[25]

The Third International Monetary Conference-1881

The conditions in France, Italy, India, and other countries, were becoming serious because the gold supply was di-

24. George N. Jackson, The Present and Future of Silver, pp. 38 & 39
25. A. Barton Hepburn, op. cit., p. 294

minishing and the price of silver was falling.[26] England was ready to offer free coinage of silver, exclusion of gold in India, and a limited issue of Bank of England notes of silver deposited in England. Germany had stopped selling silver on May 16, 1877.[27] The nations, that had held for the single gold standard had changed their minds. France joined with the United States in an invitation to another Conference. It met at Paris in April 19, 1881. Delegates were sent from eighteen Countries. The delegates from the United States were ex-Secretary of State, William M. Evarts of New York, ex-Senators Allen G. Thurman of Ohio and Timothy O. Howe of Wisconsin, with S. Dana Horton as expert.[28] Its purpose was to establish a system for the use of silver and gold as bimetallic money, with a relative settled value between them.[29]

The questions considered were:

"Has the fall of silver been hurtful to prosperity; is it desirable that the relation be made more stable?

"Has the fall been due to increased product or to legislation?

"Can stability be restored if a large group of states remonetize silver under unlimited coinage of full legal tender prices?"

"If so, what measures should be taken to reduce fluctuations of the ratio to a minimum?"[30]

The opinions of some of the foreign delegates were:

26. A. Barton Hepburn, op. cit., p. 301
27. S. Dana Horton, Silver: An Issue of International Politics, p. 40
28. A. Barton Hepburn, op. cit., p. 301
29. Shelby M. Cullon, op. cit., p. 11
30. A. Barton Hepburn, opl cit., p. 301

M. Maynin, minister of France and delegate for France said:

"In order that the metal silver may recover its former value it is indispensable that it should be, as in the past, freely coined side by side with gold, and as no State wishes to stand, or could stand, alone in resuming such coinage, it is absolutely certain that we shall not find our way out of the present difficulties until an international bimetallic treaty shall have been concluded."

Mr. Pierson, the delegate of the Netherlands, said:

"Gresham's Law is doubtless opposed to the establishment of the bimetallic system in a small group of States, but not to its establishment on a territory embracing the most civilized countries of the world."

Mr. Forssell, the delegate of Sweden, said:

"It is the opinion, even of the boldest bimetallist, that the obligations corresponding to the salutary liberties of the free mintage of both metals would henceforth be unbearable without the cooperation of all, or of most of the first-class States; that the heedless States, which would undertake alone the necessary efforts for rehabilitating and sustaining the value of silver, would be crushed under the weight of the bimetallic system which would at once fall to pieces; that it would be suffocated by the silver flowing in from the whole world."

Sir Louis Mallet, the delegate from British India, said:

"It is certain that if the depreciation of silver continues, and if by reason of the discovery of fresh deposits of gold, or from some other cause, the opportunity should offer itself, we should only be too ready to seize it, and to return, to the proposals of the Commission which sat at Calcutta in 1868 and to enter, though much against our wish, into the struggle which is about to commence between the nations of the earth for the sole metal which will be left to us as the solid basis of an international currency."31

Long intervening recesses prolonged the Conference. In July, France and the United States joined in a declaration answering the questions thus:

"That the fall of silver was injurious and establishing a fixed ratio would be beneficial; international agreement for free and unlimited coinage of both metals at a fixed ratio would cause and maintain stability; the ratio $15\frac{1}{2}$ to 1 was most

31. Louis R. Ehrich, op. cit., pp. 84 & 85

suitable; England, France, Germany and the United States, with the concurrence of the others, could be consciencious secure and maintain the stability of the ratio adopted."[32]

France, United States, Austria, Italy, the Netherlands and British India declared for Bimetallism. Belgium, Switzerland, Greece, and the Scandinavian States declared against it. England and Germany declared that no change could be made in their systems of currency, but if the nations agreed, something might be done to increase the use of silver. The convention on July 8, 1881 adjourned to April 12, 1882.[33] This was to give France and the United States time to work out a plan, but the convention was never called together in 1882.[34]

The Fourth International Monetary Conference

Agitation continued at Cologne in October, 1882, a bimetallic Congress met, but the Powers did not accept its resolutions.[35]

On November 22, 1892, the Fourth International Monetary Conference met at Brussels, at the invitation of the United States.[36] Austria, Belgium, Hungary, Denmark, France, Germany, Great Britain, India, Greece, Italy, Mexico, The Netherlands, Norway, Portugal, Roumania, Russia, Sweden, Spain, Switzerland, Turkey and the United States sent delegates.[37] William B. Allison, John R. Jones, James B. McCreary, Henry W. Cannon, E.

32. A. Barton Hepburn, op. cit., p. 302
33. James G. Batterson, op. cit., p. 43
34. A. Barton Hepburn, op. cit., p. 302
35. James G. Batterson, op. cit., p. 43
36. Shelby M. Cullom, op. cit., p. 11
37. James G. Batterson, op. cit., p. 44

Benjamin Andrews, and Edwin H. Terrell were the United States delegates. A part of the instructions given by President Harrison through the Secretary of State, John W. Foster were:

"The main purpose which this Government seeks to accomplish by this Conference is to bring about a stable relation between gold and silver.

"It is the opinion of the President, and, as he believes, of the people of the United States, with singular unanimity, that a full use of silver as a coined metal at a ratio to gold to be fixed by an agreement between the great commercial nations of the world would very highly promote the prosperity of all the people of all the countries of the world. For this reason your first and most important duty will be to secure, if possible, an agreement between the chief commercial countries of the world looking to international bimetallism, that is, the unlimited coinage of gold and silver into money of full debt-paying power at a fixed ratio in coinage common to all the agreeing powers.

"You should not lose sight of the fact that no arrangement will be acceptable to the people or satisfactory to the Government of the United States which would by any possibility place this country on a silver basis while European Countries maintain the gold standard.

"Failing to secure international bimetallism, the next important duty will be to secure, if possible, some action upon the part of European countries looking to a larger use of silver as currency, in order to put an end to the further depreciation of that metal."38

A committee proposed that the European States will buy in each year 30,000,000 ounces of silver on condition that the United States continue to purchase 54,000,000 ounces a year, and that free unlimited coinage be maintained in British India and Mexico. It was also proposed to withdraw the smaller gold coins and bank notes less than five dollars from circulation.

As these were not agreed on, the Conference turned its attention to the bimetallic proposals of the United States.

38. Shelby M. Cullon, <u>op. cit.</u>, p. 14

The French delegate was against free coinage of silver unless the monometallic states would do so. United States stood alone for bimetallism.[39] Most of the representatives of the monometallic gold states of Europe declared that the single gold standard was the only possible measure.[40] Before this Conference, India had asked for a committee of the British Government to consider the proposal to close her mints to the coinage of silver, with a view of adopting a gold standard.[41] The Conference adjourned in January until May, 1893, and again to November 1893, but never reassembled.[42]

The Wolcott Commission-1897

The Wolcott Commission of 1897 was an attempt made to bring about a Fifth International Conference. Its failure resulted from its attempt to plan the steps that should be taken to put bimetallism in practice. Proposals were, that the ratio of 15½ to 1 between silver and gold should be adopted and that the United States, France, and India should agree to open their mints to the unlimited coinage of silver on that basis. England had offered to recommend to the government of India, that India reopen her mints and to advise the Bank of England to keep one-fifth of her metallic reserves in silver.

When it was brought before the government of India, it was rejected. They said that it was a plan to introduce unheard of fluctuations in the rate of exchange, to throw all business into confusion, to inflict enormous losses upon all individuals and to undo all that they had gained since 1893.

39. James G. Batterson, op. cit., p. 44
40. Maurice L. Muhleman, op. cit., p. 132
41. James G. Batterson, op. cit., p. 44
42. A. Barton Hepburn, op. cit., p. 369

When the Bank of England took some action on the recommendation that the people construed as assent, the leading financiers and merchants made so great a remonstrance that the whole plan died.[43]

The World Monetary and Economic Conference-1933

At the World Monetary and Economic Conference held in 1933 in London, the latest attempt was made to aid silver. The silver question was introduced through the influence of the United States through Senator Pittman of Nevada.

The agreement, signed by the five silver producing nations, Australia, Canada, Mexico, Peru, and the United States and by the three silver-holding nations, China, India and Spain, is for four years. It is to raise the price of silver by limiting the sales in the World Market. India's agreement was not to sell more than 35,000,000 ounces of silver a year, but can sell to governments desiring silver to pay American War Debts. Spain and China are sellers in name only. The silver producing nations are to purchase or withdraw from the market 35,000,000 ounces of silver yearly; the United States - 24,421,410 ounces, Mexico - 7,159,108 ounces, Canada - 1,671,802 ounces, Peru - 1,095,325 ounces, Australia - 652,355 ounces. The agreement must be ratified by the eight governments by April 1, 1934. Unanimous ratification is not necessary, because if any silver-producing country withholds its consent, it may still become effective, if those who do ratify it, make new arrangements to take up the non-ratifying member's

43. Horace White, The History of the Gold Standard, pp. 4 & 5

share. If one silver-producing country ratifies and agrees to take the whole amount, and if the silver-holding countries ratify, it would become operative, so that this plan seems fairly sure of adoption.[44]

44. The Silver Agreement, <u>Foreign Affairs</u>, XII (Oct., 1933), pp. 160 & 161

CHAPTER VIII

PRECIOUS METALS IN AMERICA AND THEIR EXPLOITATION

North Carolina and Georgia

In the "Chronicles of America" by Herrira, is found the statement that Ponce de Leon in 1513 on his Florida trip was told by Indians that a neighboring Indian Chief had large amounts of gold. This is the oldest written account of gold in South Appalachian region.

Diego Miruelo, a Spanish sea-captain, while in Florida trading with the Indians received some gold. This seems to be the first conclusive evidence of gold in that region.[1]

In the 17th century, the Spanish did some mining of gold in this region. It was supposed that gold had been discovered at Brewer Mine, before the Revolutionary War.

About 1799, a nugget of placer gold, the size of a small smoothing-iron was found in Cabarus County, North Carolina, by Conrad Reed, a boy of twelve,[2] in the bed of a small stream on his father's farm. About 1825, vein gold was located in Montgomery County and soon after in Meiklenburg County.[3] In Burke and McDowell Counties, placers were opened and traced southward into Georgia in 1829, and later traced into Alabama.

1. Richard W. Smith, <u>Sedimentary Kaolins of the Coastal Plain of Georgia</u>, p. 26
2. William P. Blake and Charles T. Jackson, <u>The Gold Placers of the Vicinity of Dahlonga</u>, p. 5
3. <u>Reconnaissance of some Gold and Tin Deposits of the South Appalachians</u>, United States Geological Survey Bulletin, Department of the Interior, No. 293, p. 58

The first discovery in Georgia was made on Duke's Creek, in Habersham, now White County. Either John Witheroods of North Carolina, or Jesse Hogan of North Carolina took out the fragment of gold.[4]

In 1830 the work of mining was carried out in many places at a profit. In 1834, because of these recent discoveries, the ratio was changed to 16 to 1.[5]

The California fields in 1850 and thereafter drew many from the poorer deposits in North Carolina and Georgia. The indirect result of the California fever was that it increased mining also in the Eastern section. After the Civil War, the conditions improved, but at the present time little gold is produced in the Appalachian region.[6]

The Californian Gold Discovery

The 24th of January, 1849, Marshall, an employee of Sutter, found some small pieces of yellow rock in the mill race. He, a few days later, visited New Helvetia and showed the fragment to Sutter. The two men tested these carefully and at last convinced themselves that the yellow rock was gold. This did not mean that a great discovery of gold had been made, because the pieces found might be all that there was, so they decided to say nothing about it. One of Sutter's men was sent out to hunt deer every day. He searched the stream's edge as he went along. He finally decided that a great deal of gold was there. In less than six weeks, there was not an able-bodied man left at Sutter's Fort.

4. William P. Blake and Charles T. Jackson, op. cit., p. 6
5. T. Egleston, Progress of the Metallurgy of Gold and Silver in the United States, p. 109
6. Reconnaissance, etc., op. cit., p. 58

On March 15th, "The Californian", a newspaper, announced that there was a rumor of a gold discovery at Sutter's sawmill. The Editor visited the territory and returned to tell his public that it was just a rumor. A few weeks later, he had to close up his newspaper office because all the men had left.

The news was limited to California for a while. Then the ports of the Pacific recognized that a "find" had been made, because of the amounts of gold dust they received to buy supplies. Mexicans, Peruvians, Chilians and people from Oregon began to arrive.

Two reports were sent to the Secretary of State, Buchanan, confirming the greatness of the discovery. Governor Mason visited the mines and estimated the yield at twenty to thirty thousand dollars a day. Many men found they did not need picks, shovels or pans but could pry it out of the rocks with a jack knife. These reports were given to the people. In the spring the great gold rush began.

The gold yield in 1849 was $23,000,000 and in 1850 was $50,000,000 and in 1853, $65,000,000. Then the placers began to decline.

Despite this, after the war the mining industry was still the most important. The output from the quartz mines was growing. In 1866 and again in 1867 the gold yield was more than $25,000,000. In 1895, the increase was greater than ever, being $205,000,000.[7]

Congress passed, on March 3, 1851, Senator Gwin's bill,

7. Allen Nevins, <u>The Emergence of Modern America</u>, p. 147

which protected the American rights in California and so destroyed the claims of the original holders. Sutter's grants, although worth millions, were absorbed. In 1870, he had not a dollar. The legislature of California voted him two hundred and fifty dollars a month as a pension, but stopped it when he went to Washington to ask for justice. He died in 1880 in poverty and was buried in Littiz, Lancaster County, Pennsylvania.[8]

The Australian Gold Discovery

In the days of Macquarie, it was said, that convicts had reported discoveries of gold. The authorities at Sidney were very suspicious because the prisoners, who claimed rewards, never could find any more than their first few samples.

In 1840, Strzelecki, a Polish Nobleman, reported that he was convinced that gold existed in the mountains around Mount Koscuisko, in Victoria. He was asked by the Governor, Sir George Gipps, not to mention his theory because it would excite the convicts. He agreed.

Two years later, the Reverend W. B. Clarke, a clergyman geologist, collected some specimens from near Hartley. He showed them at Sydney and stated his belief that in the Blue Mountains would be found gold fields. Strzelicki took some of the samples to England and in 1844, Sir Roderick Murchison, a great English scientist, read a paper before the Royal Geographical Society. In this paper was restated Mr. Clarke's theory. Again in 1846, he compared the Blue Mountains with

8. Gertrude Atherton, California, pp. 116 to 129

the Urals to show that they were similar. Gold was in the Urals, therefore it must be in the Blue Mountains. He urged the unemployed Cornish miners to go to Australia and search for gold.

It just remained for a practical discovery to be made.

In 1850, an Australian, Edward Hargraves, went in the gold rush to California. He met only disappointment. As he wandered around learning how to mine for gold, the idea grew that these mountains were like those near his home in Bathurst. He determined to return to New South Wales and see if gold was there. February 11, 1851, he reached the remembered spot. He placed some of the dirt in his pan, washed it back and forth as he had learned to do in California, and found the first few specks of gold. He spent the next few days examining the neighborhood and then went to Sydney. April the 3rd, he sent a letter to the Colonial Secretary. He stated that, if the Government would give him £500, he would point out the localities in New South Wales where gold was abundant. The Colonial Secretary's reply said that no reward could be given, but if he would point out the localities, he would afterward receive compensation in proportion to the result. He accepted these conditions. He took Mr. Stutchbury, the Colonial Geologist, to the place. Mr. Stutchbury's report was that he was convinced that the district was rich in gold. Five days later the valley had four hundred people in it. A week later 1,000 people were at work. Hargraves received from the

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government £500 and later New South Wales voted him £10,000, to which was added £2,381 from Victoria.

On July 1st, another Australian settler who had gone to California with Hargraves, Esmond by name, found gold in Victoria near Ballart. A party of six men discovered gold at Anderson's Creek, near Melbourne about the same time. The Victorian Parliament gave Esmond £1,000. A few months later the Bendigo mines were discovered.

By the end of August, a little more than three months after the first work was done, more than £70,000s' worth of gold was exported. In 1852, one hundred and seventy-four tons were found, valued at £14,000,000. During the next ten years £100,000,000s' worth of gold was exported from Victoria.[9]

The Western United States Silver Mines

In 1857, the two Grosh brothers discovered the silver lode, by following it up the river from whose sands they had found "washings". It was never worked.[10]

On June 8, 1859, Pat McLaughlin and Peter O'Riley discovered gold in their pans. They pegged out claims. A trapper and fur trader, Henry Comstock, took a claim near them and got McLaughlin and O'Riley to give him the black rock that they thought was worthless. This black rock on assay was found to contain $2,908.00 in silver and $848.00 of gold to the ton.

9. Joseph Finney, Compiler, History of the Australian Colonies, pp. 150 to 152
Flora L. Shaw, The Story of Australia, p. 102
Alexander and George Sutherland, The History of Australia, and New Zealand from 1606 to 1890, pp. 90 to 98
10. Edward Suess, The Future of Silver, p. 38

This became the Comstock Lode of Nevada.[11]

The first samples of the black silver ores reached either the metallurgist, Moshammer of San Francisco, or Melville Atwood of Grass Valley. The reports disagree as to which was the first to recognize the value of the samples. The first silver bars were carried through San Francisco streets and were placed on display in a banking house's windows. Thousands went from California into the new region.

The Indians had been peaceably, even though their pastures were taken and their fishing spoiled. But when two Indians were killed, the Indians destroyed the killer's house. The miners marched out to battle with the Indians and were defeated at Pyramid Lake. All mining was stopped as terror filled the minds of the people. Finally to restore order, regular troops marched in and beat the Indians who fled.

The first furnace was set up on August 11, 1860, and the silver exploitation was begun.[12]

By 1865, the Gould and Curry, the largest mine of the Comstock Lode had a stamp mill costing almost a million dollars. It also made a thousand foot shaft to reach another vein, after the first was exhausted. Adolph Sutro successfully constructed the Sutro Tunnel, three miles in length going into the mountainside. It was to drain all the mines, and give cheap access to the river. In 1866, he had signed up twenty-three of the mining companies to use the tunnel and pay for services. In 1869, the tunnel was begun. By

11. Benjamin White, Silver, pp. 23 & 24
12. Edward Suess, op. cit., p. 38

1877, it was finished. Between 1859-1880 the Comstock Lode had produced silver bullion valued at $306,000,000. The Belcher mine gave about $26,000,000 while the Crown Point mine gave $22,000,000. The annual production for the eight years after the Civil War was more than $12,000,000.[13]

In 1862, the Reese River Mines, nearer Austin, were developed. The Buel Mine, one of the hundreds of veins found, produced silver to $400 a ton. The Manhattan, another one, gave $800,000 in four years.[14]

In 1873, the Big Bonaza was discovered. From this mine it is said that for three years in succession the ore averaged $34,062,000 a year. Ore valued at $128,949,000 was secured up to 1899.

The next worth-while discovery was in Idaho Territory. The two mines, the Golden Chariot and Ida Elmore, were very near together. Disputes arose. The miners had to go armed to protect themselves as they worked. The Governor, at last, sent a military force.

The Eureka Lead, White Pine, Pioche, Flagstaff and Emma Mines were discovered in succession. In Colorada, Montana, Utah, Idaho, Arizona, New Mexico have been found mines.

"The United States Geological Survey reported that the sixteen principal silver producing mines of the United States to be in 1911, as follows: -

Rank	Mine	Location	State
1.	Anaconda Mines	Butte	Montana
2.	Tonapah Belmont	Tonapah	Nevada
3.	Tonapah Mining Company	Tonapah	Nevada
4.	Iron Blossom	Eureka	Utah

13. Allan Nevins, op. cit., pp. 136 & 137
14. James Bonwick, The Mormons and the Silver Mining, pp. 334 & 335

Rank	Mine	Location	State
5.	Mace and Burke	Wallace	Idaho
6.	Silver King	Park City	Utah
7.	Speculator	Butte	Montana
8.	Copper King	Bisbee	Arizona
9.	Bunker Hill and Sullivan	Yreka	Idaho
10.	Centennial-Eureka	Eureka	Utah
11.	Daly West	Park City	Utah
12.	Hercules	Burke	Idaho
13.	Montana Tonapah	Tonapah	Nevada
14.	Old Jordan-Telegraph	Bingham	Utah
15.	Holter (Elkhorn)	Jefferson City	Montana
16.	Tonapah Extension	Tonapah	Nevada" [15]

In many of these silver mines gold and silver were so closely joined that an assay of gold might be made from one end of a sample and an assay of silver from the other. A large amount of Colorado gold was found with copper deposits.[16] In Colorado, the richest deposits lay in the quartz lodes.[17] The hand drill was the only way to mine this silver until 1865. During that year the power drill was invented and put into use. Soon came the diamond drill. Later on, many ways of reducing ores were found. Most of the silver obtained today is produced as a by-product of the reduction of copper and lead.[18]

California received most of the profits from the silver mines, because Californian money was heavily invested in these mines, Californian managers ran the companies and Californian cities were the centers in the trade of their stocks.[19]

15. Benjamin White, op. cit., pp. 25 & 26
16. James Bonwick, op. cit., p. 343
17. Allan Nevins, op. cit., p. 135
18. Mr. Boutwell's, Speech on the Mint Bill of 1873, p. 6
19. Allan Nevins, op. cit., p. 137

CHAPTER IX

FIGHT FOR SILVER IN THE UNITED STATES

Reaction against Act of 1873

The long-continued depression which followed the crisis of 1873, made greater the demand for more money and higher prices. The great fall in price of silver, beginning in 1873 and increasing in 1876, made silver, at the old ratio, a cheaper currency than gold. This caused the opponents of the return to specie payments to prefer silver to gold, as they preferred paper to either.[1]

The inflationists defeated in their try to obtain more "Greenbacks" united with the owners of the silver mines, and began the struggle for cheap silver money,[2] helped on by the conviction in the minds of the masses of the people that there was not enough money.[3]

They turned against what they called "The Crime of 1873" and convinced many people that the failure to provide for the coinage of silver was because of the greed of Eastern capitalists, who wished to receive the interest on their bonds in gold. They also claimed the silver dollar had been sneaked out of the Act.[4]

There also arose a group that wanted the coinage of silver and gold with full legal tender provided for by a definite ratio. They called themselves, "Bimetallists", and their theory

1. F. W. Taussig, The Silver Situation in the United States, p. 5
2. Norman Angell, The Story of Money, p. 299
3. F. W. Taussig, op. cit., p. 5
4. Norman Angell, op. cit., p. 299

of coinage, "Bimetallism".[5]

Some of those who voted for the Act of 1873, said that they knew not what they had done.

On July 13, 1873, Mr. Holman said: "I have before me the proceedings of this House in the passage of the measure (Act of 1873), a record which no man can read without being convinced that the measure and the method of its passage through this House was a colossal swindle. I assert that the measure never had the sanction of this House and it does not possess the moral force of law."

Again he says: "The original bill was a bill to organize a bureau of mines and coinage. The bill which finally passed the House and which ultimated, became a law, was certainly not read in this House. It was never considered before the House as it was passed. Up to the time the bill came before the House for final passage, the measure had been simply a measure to establish a bureau of mines. I believe I use the term correctly now. It came from the committee on coinage, weights and measures. The substitute which finally became a law was never read, and is subject to the charge made against it by Mr. Bland of Missouri, that it was passed by the House without a knowledge of its provisions, especially of that upon coinage. I, myself, asked the question of Mr. Hooper, who stood near where I am standing now, 'Whether it changed the law of Coinage?' And the answer of Mr. Hooper certainly left the impression on the whole House that the subject of coinage was not affected by that bill."

General Garfield said, that he had no knowledge that the bill dropped the silver dollar.

On March 9, 1878, Mr. Kelly of Pennsylvania said in the House:

"In connection with the charge that I advocated the bill which demonetized the standard silver dollar, I say, that though the chairman of the committee on coinage, I was ignorant of the fact that it would demonetize the silver dollar or of its dropping the silver dollar from our system of coins, as were those distinguished Senators, Messrs. Blaine and Voorhees, who were then members of the House, and each of whom a few days since interrogated the other, 'Did you know it was dropped when the bill passed.' 'No', said Mr. Blaine, 'Did you?' 'No', said Voorhees, 'I do not think there were three members in the House that knew it."

5. S. Dana Horton, Silver: An Issue of International Politics, p. 8

Again, on May 10, 1879, Mr. Kelly said: "All I can say is, that the committee on coinage, weights, and measures, who reported the original bill, were faithful and able and scanned its provisions closely; that as their organ I reported it; that it contained provision for both the standard silver dollar and the trade dollar. Never having heard until a long time after its enactment into law of the substitution of the Senate which dropped the standard dollar. I profess to know nothing of its history; but I am prepared to say that in all the legislation of this country, there is no mystery equal to the demonetization of the standard silver dollar of the United States. I have never found a man who could tell just how it came about or why."6

Commission of 1876

In March, 1876, a bill making certain appropriations was under consideration in the House of Representatives. A proviso for the redemption of fractional currency in silver coin was added. Reagan proposed an amendment making the silver dollar a legal tender up to fifty dollars, but not providing for coinage. It was adopted 124 to 94. Sherman, in the Senate, reported this bill from the Committee on Finance. He changed the legal-tender power to twenty dollars and provided for coinage, on government account. The ratio to be 16 to 1. They were to have legal tender power for all purposes except customs and interest on public debt. Later, Sherman made a motion by which the provision and amendment were stricken out.[7]

The senior Senator from Nevada, (Mr. Jones), took seven hours of the 24th and 25th of April 1876, in a speech. It completely exhausted the facts, gave arguments and authorities in favor of the restoration of silver.[8]

Bland of Missouri, on July 19, 1876, reported a bill in

6. A Single Standard of Silver, A Single Standard of Gold, A Joint Standard of Silver and Gold, Which?, pp. 33 & 34
7. A. Barton Hepburn, History of Coinage and Currency in the United States, pp. 211 & 212
8. George M. Weston, The Silver Question, p. 60

the House of Representatives, which provided for coin notes to pay for unlimited deposits of gold or silver, repayable on demand in kinds (bar or coin), and for the coinage of a 412.8 grain silver dollar (16 to 1); the notes to be receivable for all public dues and the coins to be full legal tender.[9]

On April 22, 1876, a "Joint Resolution for the issue of silver coin" was passed. It is quoted below:

"Resolved...., That the Secretary of the Treasury, under such limits and regulations as will best secure a just and fair distribution of the same through the country, may issue the silver coin at any time in the Treasury to an amount not exceeding ten million dollars, in exchange for an equal amount of legal-tender notes; and the notes so received in exchange shall be kept as a special fund separate and apart from all other money in the Treasury, and be reissued only upon the retirement and destruction of a like sum of fractional currency received at the Treasury in payment of dues to the United States, and said fractional currency, when so substituted, shall be destroyed and held as part of the sinking fund, as provided in that act approved April 17, 1876.

"Section 2. That the trade dollar shall not hereafter be a legal tender, and the Secretary of the Treasury is hereby authorized to limit from time to time, the coinage thereof to such an amount as he may deem sufficient to meet the export demand for the same.

"Section 3. That in addition to the amount of subsidiary silver coin authorized by law to be issued in redemption of the fractional currency it shall be lawful to manufacture at the several mints, and issue through the Treasury and its several offices, such coin, to an amount, that, including the amount of subsidiary silver coin and of fractional currency outstanding, shall, in the aggregate, not exceed, at any time, fifty million dollars.

"Section 4. That the silver bullion required for the purposes of this resolution shall be purchased, from time to time, at market rate, by the Secretary of the Treasury, with any money in the Treasury not otherwise appropriated; but no purchase of bullion shall be made under this resolution when the market rate for the same shall be such as will not admit of the coinage and issue, as herein provided, without loss to the Treasury; and any gain or seigniorage arising from this coinage under existing laws relative to the subsidiary coinage:

9. A. Barton Hepburn, <u>op. cit.</u>, p. 282

Provided, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed two hundred thousand dollars."[10]
Approved, July 22, 1876

Kelly attempted to pass a free coinage bill on July 24th, but it was defeated 119 to 66, with 99 not voting. Bland also tried, but failed. A compromise measure was introduced and passed on August 15, 1876, to appoint a commission to inquire into the whole subject and report to Congress.[11] This Commission is known as the Monetary Commission of 1876.[12]

The commission was to consist of three senators, three representatives, and not to exceed three experts, who were to inquire:

1st, Into the change which has taken place in the relative value of gold and silver; the causes thereof, whether permanent or otherwise; the effects thereof upon trade, commerce, finance, and the productive interests of the country; and upon the standards of value in this and foreign countries.

2nd, Into the policy of restoration of the double standard in this country; and if restored, what the legal relation between silver and gold should be.

3rd, Into the policy of continuing legal tender notes concurrently with the metallic standards, and the effects thereof upon the labor, industries and wealth of the country and

4th, Into the best means for providing for facilitating the resumptions of specie payments.

10. United States Statutes at Large, July 22, 1876, Sections 1, 2, 3, and 4
11. A. Barton Hepburn, op. cit., p. 282
12. Hermon W. Craven, Errors of Populism, p. 17

Senator Jones (Republican of Nevada), Bogg (Democrat of Missouri), and ex-Secretary Boutwell; Representatives Gibson (Democrat of Louisiana), Willard (Republican of Michigan), and Bland (Democrat of Missouri); W. G. Groesbeck of Ohio, Francis Bowen of Massachusetts, and George M. Weston of Maine formed the Commission.[13]

On December 12, 1876, Mr. Bland reported from the Commission of Mines and Mining the following:

"**Be it** enacted, etc., That there shall be from time to time, coined at the mints of the United States, silver dollars, of the weight of four hundred and twelve and one-half grains standard silver to the dollar, as provided for in the Act of January 18, 1837, and that said dollar shall be legal tender for all debts public and private, except where payment of gold coins is required by law."

This passed by vote of 167 to 53, on December 13, 1876, over the opposition of Mr. Garfield and others.

In the Senate, the Finance Committee sent it back without recommendation, because they wished to wait for the Commissions Report.[14]

In 1877, the Commission reported. Senator Jones, the Chairman wrote the majority report. The Majority consisted of Messrs. Jones, Body, Willard, Bland and Groesbeck. These favored the remonetization of the silver dollar without delay, based on bimetallism.

The following are excerpts from the Report:

"The supply of gold is diminishing, being now but little more than one-half what it was in 1852, and is always so fitful and irregular from the method of its production that it is

13. A. Barton Hepburn, op. cit., p. 283
14. Silver in the fifty-first Congress, p. 46

ill-suited to be a sole measure of value."

"The exchanges of the world and especially of this country, are continually and largely increasing; while the supplies of both the precious metals, taken together, if not diminishing, are at least stationary, and the supply of gold taken by itself, is falling off."

"We believe that the remonetization of silver in this country will have a powerful influence in preventing, and probably will prevent, the demonetization of silver in France and in other European countries in which the double standard is still legally and theoretically maintained."

"It may be added that a legislative remonetization on the relation to gold to 15.5 to 1 accomplishes without delay on all the objects of the proposition for an international conference, which is urged from various quarters."15

Mr. Boutwell, one of the minority said, in part: That the questions propounded were substantially answered as follows: -

That the change in the relative value of the metals would not be permanent unless general demonetization took place, in which case the most serious consequences, social, industrial, political and economical would follow.

That the double standard should be restored in order to avert the danger threatening the whole world.

That paper could not be maintained concurrently with coin unless its market value was made equal to coin by convertibility.

That changeableness by means of resumption would be very hard with coinage of both metals, and impracticable with gold alone.[16]

15. Boutwell, Speech on Mint Bill of 1873, pp. 14 & 15
16. A. Barton Hepburn, op. cit., p. 285

"There can be but one standard of value in any country at the same time, and a successful use of gold and silver simultaneously can be effected only by their consolidation upon the agreed ratio of value, and by the concurrence of the commercial nations of the world."

"The undersigned is also of opinion that it is expedient for this government to extend an invitation to the commercial nations of the world to join in convention for the purpose of considering whether it is wise to provide by treaties and concurrent legislation for the use of both silver and gold in all such nations upon a fixed relative valuation of the metals; and, finally, that, until such an agreement between this government and other commercial nations can be effected, the United States should pursue the existing policy in regard to the resumption of specie payments."

"It is to be apprehended that the remonetization of silver by the United States at the present time would be followed by such a depreciation in its value as to furnish a reason against the adoption of the plan by the rest of the world, and that an independent movement on our part would increase the difficulties rather than diminish them."17

Mr. Bowen's view, concurred in by Mr. Gilson, was that the change in relative values was due to the fluctuation of silver, which was caused by increased product and diminished use, proof of its unfitness as a money metal; whether permanent or not, was impossible to determine. He regarded the double standard an illusion; silver was further unfitted except for subsidiary purposes by reason of bulk; the concurrent use of government paper would be unjust, since its redemption had been pledged; resumption was indeed practically at hand. He recommended a subsidiary dollar 345.6 grains pure silver (380.16 grains standard) to be issued in exchange for one dollar, two dollar, and five dollar notes to be cancelled; the coin to be legal tender to twenty dollars, but receivable in any amount for public dues other than customs;

17. Boutwell, op. cit., pp. 16 & 17

small notes not to be legal tender after 1878; gold to be coined at the rate of 22.6 grains pure to the dollar, so that the half eagle would be practically equal to the pound sterling; legal tenders to be retired at the rate of $3,000,000 monthly; resulting deficits to be made up by the sale of bonds.[18]

Act of 1878

By the Acts of January 14, 1875, and April 17, 1876, Congress authorized the issuance of silver coins of fractional denominations and of standard value to redeem an equal amount of paper currency. The issue was limited to $50,000,000. The largest amount in circulation at any time was $49,102,600.[19]

27.

Bland again introduced his free coinage bill. It passed under a suspension of the rules, November 5, 1877, 163 to 34 (not voting 92) was the vote. The affirmative side included Carlisle, Cox, Ewing, Morrison (Democrats) and Foster, McKinley, Cannon, Kelley and Keifer (Republicans).

The bill was as follows:

"That there shall be coined, at the several mints of the United States, silver dollars of the weight of four hundred and twelve and one-half grains troy of standard silver, as provided in the Act of January 18, 1837, on which shall be the devices and superscriptions provided by said Act; which coins together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender at their nominal value for all debts and dues, public and private, except when otherwise provided by contract; and any owner of silver bullion may deposit the same at any United States mint or assay office to be coined into such dollars for his benefit upon the same terms and conditions as gold bullion is deposited for coinage under existing laws.

18. A. Barton Hepburn, op. cit., p. 286
19. David K. Watson, History of American Coinage, p. 139

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18. A. Barton Hepburn, *op. cit.*, p. 286
19. David K. Watson, *History of American Coinage*, p. 139

"All acts and parts of acts inconsistent with the provisions of this Act are repealed."

Allison, on November 21st, reported the bill in the Senate. He added an amendment instead of free coinage. The amendment proposed that the government purchase of an unlimited amount (not less than $2,000,000 or no more than $4,000,000 monthly) of bullion and coinage on its own account; leaving the dollar full legal tender. This was adopted by a vote of 49 to 22. Its opponents were of course, the advocates of free coinage.

President Hayes in the mean time, urged Congress in his first message in December, to consider the implied breach of faith involved in the proposed silver measure respecting the public debt, and the interference with the pending reduction of the interest rate. He recommended a dollar that would come closer to the commercial value of silver and have a limited legal tender power.

Secretary Sherman in his Report asked that the bonds issued from 1873 to date, amounting to nearly $593,000,000 be exempted from the operation of the proposed silver law, because they had been paid for in gold. He declared that to coin a dollar worth nine per cent less than gold would drive out the gold, just as it was driven out under the Act of 1792, and the same as silver was driven out under the rating in 1834; that a subsidiary dollar with limited legal tender would be an advantage, unlimited coinage an injury.

When the Senate again took under consideration the Bland

Bill, the proposed amendments to make the dollar heavier, in order to make it more like the commercial ratio, were defeated (49 to 18). The extreme and moderate silver advocates united to accomplish this. Among the moderate silver advocates were Allison, Windom, Davis, Matthews, and Blaine. Morrill, Conkling, Hoar, Dawer and Bayard were among those against it.[20]

From the Speech of James B. Blaine in the Senate in 1878, this portion is taken:

"I believe gold and silver coin to be the money of the Constitution - indeed, the money of the American people anterior to the Constitution, money which the organic law of the Republic recognized as independent of its own existence. No power was conferred on Congress to declare that either metal should not be money. Congress has therefore, in my judgment no more power to demonetize silver than to demonetize gold; no more power to demonetize either than to demonetize both. In this statement I am repeating the weighty dictum of the first of the constitutional laws. 'I am certainly of opinion,' said Mr. Webster, 'that gold and silver at rates fixed by Congress, constitute the legal standard of value in this country, and that neither Congress nor any State has authority to establish any other standard or to displace this standard.' Few persons, can be found, I apprehend, who will maintain that Congress possesses the power to demonetize both gold and silver or that Congress could be justified in prohibiting the coinage of both; and yet in logic and legal construction it would be difficult to show where and why the power of Congress over silver is greater than over gold - greater over either than over both. If, therefore, silver has been demonetized, I am in favor of remonetizing it. If its coinage has been prohibited, I am in favor of ordering it to be resumed. If it has been restricted, I am in favor of ordering it to be enlarged.

"What power, then, has Congress over gold and silver? - It has the exclusive power to coin them; the exclusive power to regulate their value, - very great, very wise, very necessary powers, for the discreet exercise of which a critical occasion has now arisen. However, men may differ about causes and processes, all will admit that within a few years a great disturbance has taken place in the relative values of gold and silver, and that silver is worth less, or gold is worth more in the money markets of the world in 1878 than in 1873, when the further coinage of silver dollars was pro-

20. A. Barton Hepburn, <u>op. cit.</u>, pp. 288 & 289

hibited in this country."21

An Amendment to make the dollar redeemable in gold, and one which made the dollar not a tender for customs or interest on the public debt, were defeated. An Amendment by Booth for an issue of silver certificates on deposits of dollars in the Treasury, and making such certificates receivable for all public dues and reissuable, was adopted. An Amendment providing for an international conference on silver, and one declaring that the dollars were to be tenders only when not otherwise expressly stipulated and not at all for redemption of gold certificates were accepted.

The final vote on the Blaine Bill was 48 to 21, on February 15, 1878. The House, on February 21, passed it, as amended by the Senate, 203 to 72. President Hayes vetoed it on February 28, 1878, but it was passed over his veto on the same day. The House vote was 196 to 73, the Senate, 46 to 19. Representatives Butler, Charles Foster, William McKinley and Kelley; and Senators Allison, Matthews, Windom voted for it. Some of those against it were Representative Hall, Reed, Garfield and Frye; and Senators Blaine, Conkling, Daves, Hoar, and Morrill.

In both the House of Representatives and Congress the vote was sectional. Most of the Eastern members opposed it.[22] The portions of the Act referring to silver are:

"Be it enacted...., That there shall be coined, at the several mints of the United States, silver dollars of the weight of four hundred and twelve and one-half grains Troy of standard silver, as provided in the act of January 18, 1837,

21. A. L. Fitzgerald, The Thirty Years' War of Silver, pp. 249 & 250
22. A. Barton Hepburn, op. cit., p. 290

on which shall be the devices and superscriptions provided by said Act; which coins together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender, at their nominal value, for all debts and dues public and private, except where otherwise expressly stipulated in the contract. And the Secretary of the Treasury is authorized and directed to purchase, from time to time, silver bullion at the market price thereof, not less than two million dollars worth per month, nor more than four million dollars worth per month, and cause the same to be coined monthly, as fast as so purchased, into such dollars; and a sum sufficient to carry out the foregoing provision of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated. And any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to the subsidiary coinage: Provided, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed five million dollars: And provided farther, That nothing in this act shall be construed to authorize the payment in silver of certificates of deposit issued under the provisions of section 254 of the Revised Statutes.

"Section 2. That immediately after the passage of this act, the President shall invite the governors of the countries composing the Latin Union, so-called, and of such other European nations as he may deem advisable, to join the United States in a conference to adopt a common ratio between gold and silver, for the purpose of establishing, internationally, the use of bi-metallic money, and securing fixity of relative value between those metals; such conference to be held at such place, in Europe or in the United States, at such time within six months, as may be mutually agreed upon the executives of the governments so invited, or any three of them, shall have signified their willingness to unite in the same.

The President shall, by and with the advice and consent of the Senate, appoint three commissioners, who shall attend such conference on behalf of the United States, and shall report the doings thereof to the President, who shall transmit the same to Congress.

"Section 3. That any holder of the coin authorized by this act may deposit the same with the Treasurer or any assistant tressurer of the United States, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, corresponding with the denominations of the United States notes. The coin deposited for or representing the certificates shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and,

when so received, may be reissued.

"Section 4. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed."23

President Hayes's reasons for his veto were chiefly that making the dollars and certificates receivable for customs would soon deprive the country of its gold revenues; that the public credit was affected by making the debt payable in silver, thus practically scaling it eight to ten percent. Since the Act of 1873, over $580,000,000 of bonds, have been issued and sold for gold. This Act, therefore, violated the obligation of the Government. He said: "It is my firm conviction that if the country is to be benefited by a silver coinage, it can be done only by the issue of silver dollars of full value, which shall defraud no man. A currency worth less than it purports to be worth will in the end defraud not only creditors, but all who are engaged in legitimate business, and none more surely than those who are dependent on their daily labor for their daily bread."24

The opponents of the remonetization of silver may be divided in a general way, into two classes: The first, or the smaller class, was made up of all those that felt that silver was only good for subsidiary money and wanted a gold standard; the second class held for an international agreement before the United States returned to the double standard.[25]

Until the Act of 1878 the Government had coined only gold and silver that had been brought to it.[26] In 1878, the Government made its first purchases of bullion. Checks in payment

23. United States Statutes at Large, February 28, 1878, Sections 1, 2, 3, and 4
24. A. Barton Hepburn, op. cit., p. 290
25. George M. Weston, op. cit., p. 19
26. William Brown, Silver in its Relation to Industry and Trade, p. 15

were drawn by the Director of the Mint, payable in silver dollars. The purchases were made mostly at San Francisco. There, the payees, drew large denomination silver certificates instead of silver dollars. Within ten days from the date of issue, these large denomination silver certificates were back in the Treasury. During the first year the Treasury Department made no attempt to get out smaller silver certificates. At the end of June, 1879, out of the total coinage of 36,000,000, the Treasury held in its values, not represented by certificates, no less than 28,000,000. By the end of December 1881, the silver certificates in the hands of the public amounted to over 62,000,000. The circulation of dollars and certificates combined was within 7,000,000 of the total amount coined.[27]

The Silver men in Congress were not satisfied with the Bland-Allison Law. During the summer of 1878, the silver question began in politics. The Republican platforms were for "both gold and silver". The Western Democrats and "Greenbackers" favored free coinage. The Congressional Elections of that year were favorable to the Silver men.

Hayes, in his second message of December 1878, said, that although his views were unchanged, he had had the silver law of 1878 carried out, to give it a fair trial. He recommended that Congress let the people have a change to bring about an enduring prosperity.

27. F. W. Taussig, op. cit., pp. 18 to 20

The Report of Specie Resumption Act Enforced

The Secretary of the Treasury, Sherman, recommended legislation limiting the coinage of silver or altering the ratio to make the silver dollar worth more. He believed in fixing a ratio that would secure the largest use of both, without displacing either. Therefore, the coinage of dollars at 16 to 1 should be limited until the price of silver assumed a definite ratio to gold. This ratio should be adopted. While holding the view that the resumption act contemplated redemption of notes in gold, he would use either metal; that the holders of the notes preferred, but holding the legal option to pay in either.

At this time, the ratio of silver to gold was 17.92 to 1.[28] The bullion value of the silver dollar was 93.2 cents.

No preparation was made for specie payments until Mr. Sherman took his office at the head of the Treasury Department. In a speech at Toledo, Ohio, on August 26, 1878, he said:

> "My predecessors had taken no steps under the provisions of the Resumption Act. When I assumed the duties of my present office, after careful study of the whole question, I determined that it would be necessary to accumulate, in addition to the surplus revenue, the sum of $100,000,000 of gold coin, and that it ought to be accumulated at the rate of $5,000,000 a month from the first of May, 1877, to the date of resumption. We accumulated readily during eight months of that year, at the rate of $5,000,000 a month. This process was arrested by the debates in Congress; but was again resumed in the Spring of this year, when it was found still more easy to accumulate coin by the sale of four and one-half per cent bonds, and the original plan was executed sooner than was anticipated. On the tenth of this month, the Treasury of the United States was supplied with $209,011,753 in gold and silver coin and bullion."[29]

28. A. Barton Hepburn, op. cit., p. 298
29. George M. Weston, op. cit., p. 65

Specie Resumption began on the First of January 1879, under the Act of 1875. They, the Greenbacks, were redeemable "in coin". "In coin" was taken in practice to mean gold. The Act set no amount of bullion that should be accumulated for such redemption. It was left to his discretion. The only approach to a statement of amount is to be found in an Act of 1882, in which a section authorizing the issue of gold certificates is qualified by the proviso "that the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars."[30]

Free Coinage Again

In February, a bill to make gold and silver coin interchangeable, also one to pay out legal tender notes for any coin brought into the Sub-treasury in New York, and one to redeem trade dollars and recoin them into standard dollars were all defeated.

In the first session of the next Congress, a free coinage measure, reported by A. J. Warner passed the House of Representatives by 114 to 97. A bill to limit the coinage to the domestic product was defeated 105 to 130, and one to provide for a four hundred and sixty-grain dollar by 52 to 176. A proposition to make gold and silver certificates legal tender was overruled by a vote of 73 to 135.

30. F. W. Taussig, _op. cit._, p. 35

The Senate sent the free coinage bill to the Finance Committee. The Committee reported against it. A resolution of Senator Vest of Missouri declaring free coinage necessary to supply the needed volume of money, was also reported against by the same Committee.

The House passed a resolution directing the Secretary of the Treasury to pay out the silver dollars in the Treasury the same as gold. The vote was 143 to 75.

On June 9, 1879, a bill was proposed, that provided for the minting of a "goloid" dollar containing both metals. It was favored by Stephens. It also, proposed to adopt for international use a four-dollar piece. This never got beyond the committee.

Secretary Sherman, in his report of 1879 repeated his recommendations of 1878. Only 13,000,000 silver dollars were in use out of a coinage of 45,000,000. It could be maintained at par only by holding a great part of it in vaults of the Treasury. He urged limitation of silver coinage in order to preserve its parity with gold.

President Hayes recommended that the Treasurer be given the power to suspend the coinage of silver when parity was endangered. He expressed the belief that an international agreement upon a ratio was possible and hoped no legislation other than that recommended be undertaken, in order to avoid disturbances.

Congress now provided that the Mints and Treasury of-

fices distribute, free of expense, silver dollars. The cost was to be charged against, the "silver profit fund"; that is, the amount representing the difference between the cost of the bullion and the nominal value of the dollars coined therefore. This is sometimes called "seigniorage".

The Democratic Senate had a large enough number of anti-silver Democrats from the East to defeat any free silver measure. No further attempts were made to pass such bills.[31]

31. A. Barton Hepburn, op. cit., p. 300

CHAPTER X

SILVER FROM 1878 THROUGH 1892

Effect of Bland-Allison Act

On the 17th of February, 1878, an amendment was proposed and defeated, by a vote of 40-25. The amendment was:

"One hundred millions of such dollars should be coined during three years from this date, and if the average monthly price of such silver bullion during the next twelve months thereof shall be less than ninety seven one-hundredths of a gold dollar, the Secretary of the Treasury may suspend such coinage until further action by Congress."

This proves that the Senate felt that there was no need, at that time of stopping the coinage of silver.

An order of the Secretary of the Treasury showing that owners of gold coin were allowed to exchange them at the mint of New York, establishes the fact that they were of a near parity or parity.

"Treasury Dep't., Secretary's Office,
"Washington, D. C., Sept. 18, 1880.

"Until further notice the United States Assistant Treasurer at New York will pay out at his counter standard silver dollars or silver certificates in sums of ten dollars, or any multiples thereof in exchange for like units of gold coin or gold bullion deposited with him.

"Upon the receipt by the Treasury of the United States, in this city of an original certificate of deposit issued by the United States Assistant Treasurer of New York, stating that there has been deposited with him gold coin or gold bullion in the sum of ten dollars or any multiple thereof, payment of a like amount in standard silver dollars or silver certificates at the counter of any United States Assistant Treasurer designated by the depositor will be ordered.

"John Sherman, Secretary,"

Under this order so many exchanges were made that the silver certificates disappeared. In November, 1881, this order

had to be issued:

"Treasury Dep't., Secretary's Office,
"Washington, D. C., November 1, 1881.

"Until further notice the exchange of silver certificates for gold coin deposited at the office of the United States Assistant Treasurer at New York will be suspended, and Dept's. Circular #75, of September 18, 1880, is hereby modified accordingly.[1]

H. F. French, Acting Secretary."

In the Annual Report of the Secretary of the Treasury, Mr. Folger, is found this recommendation:

"The most potential means of bringing about any concert of action among different nations, would appear to be for the United States to suspend, for the present, the further coinage of silver dollars. This is the decided opinion in both France and America, of the highest authorities on bi-metallism, and of those who wish to bring silver into general cessation of coinage would, at a very early day, bring about a satisfactory consideration of the whole subject among the chief commercial nations."[2]

Since the Secretary of the Treasury had been able to increase the dollars in use to $34,000,000, the certificates to $59,000,000 leaving in the Treasury some $11,000,000 net of silver funds, there was more than we needed already. He felt that if silver was coined further, the United States would be brought to the single silver standard.[3] He repeated the above recommendation in his reports of 1882 and 1883.[4]

Congress called for a report of the silver purchased on January 1882. It found that the Treasury had bought only the least amount possible for 1878 to 1882. The Treasury had ob-

1. Nathaniel P. Hill, Speeches & Papers on Silver, etc., pp. 2, 3, 5 and 6
2. Derwin R. James, Silver not a Local Issue, p. 1
3. A. Barton Hepburn, History of Coinage and Currency of the United States, p. 302
4. Darwin R. James, op. cit., p. 1

tained 92,550,000 fine ounces at a cost of $95,119,000, and had made 105,380,000 silver dollars out of it.

Mr. Dingley, of Maine, introduced a bill to suspend the coinage of silver. The bill failed.

The Secretary of the Treasury, Folger, in 1882 was only able to place into circulation about 1,000,000 silver dollars. The silver certificates put into use were less than the year before. The entire purchase of silver for the year, some $27,000,000, was therefore left in the Treasury.

A bill was introduced by the Silver men that the trade dollars be redeemed and recoined into regular silver dollars. This failed in the Senate.[5]

In the 1882 Report of the Secretary of the Treasury, a recommendation was made that silver should be coined only to the extent necessary to meet the call for it at the Treasury. Several bills were introduced in both the Senate and House, using this idea, but all failed.[6]

Mr. McCulloch, the Secretary of the Treasury, in his Annual Report for 1884 said:

"The United States is one of the most powerful nations, its credit is high, resources limitless; but it cannot prevent a depreciation of silver unless its efforts are aided by leading nations in Europe. If the coinage of silver is continued in despite of the action of Germany in demonetizing it and the limitation of its coinage by what are known as the Latin nations, there can be but one result; silver will practically become the standard of value....

"The European nations which hold large amounts of silver must sooner or later come to its rescue, and the suspension of coinage in the United States would do much to bring about, on their part, action in its favor."7

5. A. Barton Hepburn, <u>op. cit.</u>, p. 303
6. Nathaniel P. Hill, <u>op. cit.</u>, p. 69
7. Darwin R. James, <u>op. cit.</u>, p. 2

He, also, said that unless the coinage of silver was stopped, there was a danger that the Treasury would be forced to suspend gold payment and get on a silver basis.

This last announcement probably brought in the panic of 1884. Foreign investors in United States Bonds did not like the idea of being paid in a dollar worth eighty cents. All holders began, at once, to try and sell. A sharp break followed in the New York Stock Market. Many industries were hit. Unemployment and labor disputes increased.[8]

While the depression lasted, the Treasury had another period of slow circulation. The tendency toward depression and falling prices was not checked by the regular issue of silver dollars. The silver money returned to the Treasury as tax receipts.[9]

The depression did not last long, yet it lasted long enough for those who were affected by it to decide that it was the government's fault. The blame for all the trouble was put on the failure to pass a free-coinage law.[10]

In February, 1885, the House of Representatives passed a resolution. This resolution consisted of a number of questions on the subject. This was done so that the House might know about the way the Treasury Department worked. Secretary McCulloch replied and showed that as many of the dollars and certificates were paid out as was possible, that they returned just as fast and sometimes in even greater number, that gold was preferred and was kept when taxes were paid. Yet, the

8. Norman Angell, The Story of Money, p. 300
9. F. W. Taussig, The Silver Situation in the United States, pp. 72 & 73
10. Norman Angell, op. cit., p. 300

House refused by a vote of 118 to 152 to give up the coinage of silver.[11]

The Joint Resolution, "That the President of the United States is hereby requested to enter into negotiations with the States of the Latin Union, and such other foreign powers as he shall deem advisable, with the purpose of securing such treaties with them as shall bind the nations agreeing thereto to open their respective mints to the free coinage of silver with the full legal-tender power, at such uniform ratio to gold as shall be agreed upon."

The American Banker's Association at Chicago, on September, 24th, resolved that the silver coinage law "should be immediately suspended and remain inoperative until an international agreement with leading commercial nations shall give substantial assurance as to the future relations of gold and silver as money".

Mr. Hill opposed the above idea. He said:

"Professor Walker favors the abrogation of the silver coinage law of 1878 upon the sole ground that a bi-metallic arrangement with European nations is the indispensable condition to the safe use of silver in this country.

"This is in plain contradiction of the experience of mankind. From time immemorial both gold and silver have been used as money without bimetallic treaties. The relative value of gold and silver, disturbed for a time by the disproportionate yield of silver following the discovery of America, finally settled in 1650 to between 15 and 16 to 1, and so remained for two hundred and twenty-five years, although the first case of an international arrangement, the Latin Union treaty, did not occur till 1865.

"The world has had a long experience, independently of international treaties, of that steadiness of the relative value of the two metals which results from the magnitude of their mass representing the accumulation of ages, which is so vastly in excess of their annual production.

"No cause of equal magnitude, tending to disturb the relative value of the metals, as the transition of Germany from the single standard of silver to the single standard of gold, will probably recur for centuries."[12]

11. S. Dana Horton, Silver: An Issue of International Politics, pp. 9, 10, 14 and 15
12. A. Barton Hepburn, op. cit., p. 304

As the treasury was almost ready to go on a silver basis, President Cleveland and Treasurer Manning had to adopt vigorous measures. They curtailed the issue of the small legal-tender notes, thus making room for more silver dollars. Legal tender notes were used in disbursements and by avoiding when ever possible the payment of silver certificates, a smaller proportion of the revenues was received in that form. The gold reserve which in money was down to $15,000,000 was increased. The New York Banks gave Secretary Manning, nearly $6,000,000 in gold, for subsidiary silver coins. The Treasury also suspended bond purchases. The gold, by December, had reached $148,000,000 and the idle silver was over $76,000,000. These schemes of the President and the Secretary of the Treasury, kept things going until the next session of Congress.

In Secretary Manning's report of December, 1885, he reviewed the entire silver question. He urged a suspension of the coinage of the silver dollar, so that the status of silver might be determined. He said, that to continue the coinage of silver would only bring disaster.

President Cleveland in his first message said that the vital part of the Act of 1878 was that looking to an international bimetallic agreement; that endeavors in this line had failed. This left the United States alone. An examination of conditions abroad convinced him that no help would be given as long as the United States continued in its present policy. The accumulation of these silver dollars made the chance for

an agreement farther away. The supply now was more than was needed, but by stopping the coinage of them they might gradually be absorbed.

In Europe, at this time, there was a depression in trade. The nations began considering the question of silver. England appointed a commission to examine the subject.

Congress, again, called on the Secretary of the Treasury for a full report. He replied on March 3, 1886. The questions were concerned with: 1st, the gold loan by the New York Banks; 2nd, the amount of free silver in the Treasury; 3rd, number of bonds subject to redemption not paid; and 4th, his future policy. He replied that it was no loan, but just an exchange, presumably permitted by Act of 1879. He also stated that each citizen was paid his choice of the currencies on hand, that the silver dollar wouldn't circulate if the one and two dollar legal tender notes were used. The interest-bearing debt subject to call amounted to $174,000,000, but to force silver out for this would bring on the silver basis. There was $346,000,000 of debt out as legal tender notes. The payment of these was pledged under the Act of 1869, but changed by the Act of May 31, 1878, so that he was compelled to reissue when paid. Silver certificates could be used for these.[13]

He, on March 2, 1886, sent a letter to the Speaker of the House. In it, he stated:

"It is now become plain, to all who take comprehensive and practical views of public policy, that the United States can do no better than return at the earliest possible date to a bimetallic unit of value. By this I mean -

13. A. Barton Hepburn, op. cit., p. 305 - 307

1. The Monetary unit embodied in coins, both of silver and gold.

2. The monetary unit of value embodied in the silver coin to be made and kept in that successive and simultaneous equivalence with the present and prior unit of value which has been our honorable distinction ever since the Constitution was framed.

3. Open mints for the free coinage of gold and silver at a fixed ratio, to every citizen of the United States bringing either metal, and the right to have his coins received in every sale and payment as full legal tender dollars.

"Nothing less than this is bimetallism. It is not bimetallism that we are having now. All our silver coinage is but excessive subsidiary coinage of Treasury purchases of silver for a fictitious Treasury profit. We lack an indispensable part of bimetallism. We lack the free coinage of everybody's silver, to an amount unlimited by Government, into coins of full legal tender. We only maintain a free coinage for everybody's gold, to an amount unlimited by Government, into coins of full legal tender.

"It is the facts of our present situation, I would respectfully reassert, that constrain us toward bimetallism as our goal.

"Our $550,000,000 coined gold, our $220,000,000 coined silver, now make any policy save ultimate bimetallism for the United States, practically and politically a Utopian policy.

"Stopping the coinage of Treasury purchases of silver is not a policy in which we can rest and be thankful. It is merely the first and indispensable step to ultimate bimetallism. It is also the only step to ultimate bimetallism. No intelligent expert on either side the Atlantic has proposed or attempted to defend any other step to ultimate bimetallism.

"It is a wise step in the interest of industries jeoparded by doubt, to end the increasing risk of expelling our gold. But it is a step necessary in the interest of silver owners because continued silver dollar coinage, after a long trial, neither betters the price of silver nor narrows its fluctuations, and tends to prevent rather than promote that international concert which, by restoring open mints for silver in three or more great commercial nations, can only restore its price. No mint in the world which gives free coinage to gold now gives free coinage to silver. Except our own, no mint in the world which gives free coinage to gold now coins full legal tender silver. We alone heap up the load. The sure out-

come is silver monometallism for us. Meanwhile what good has eight years of it done the silver owners? Not a dollar of their coin or bullion crosses the sea and there brings its former price. But silver monometallism in the United States will not restore silver to its old price any more than the silver monometallism of India, China, and Mexico do. It will not even tend to restore silver to its old price, and so is condemned as an incapable, unprofitable monetary policy. In that respect, it is worse than our present limited coinage of Treasury purchases, prior to the day of their outcome in silver monometallism. It is even worse for the ultimate price of silver than if we stopped such coinage and held on so, indefinitely. The reason is plain. Silver monometallism in the United States, in due time, and finally, will release to Europe the bulk of our $550,000,000 gold, and assist every once bimetallic nation there to follow Great Britain and the Scandinavian States in becoming and remaining a gold monometallic nation, with but token silver for small change.

"Silver monometallism in the United States, in due time and finally, will release the depreciated full legal tender silver of European bimetallic nations to compete with the product of our own mines for a passage through our mints. Assume that we could exclude it by stringent laws - though it is a strange assumption - foreign silver would distance ours in the race for the Orient, with which we have so little trade, but Europe so much.

"The transfer and exchange of a part of Europe's silver stock for the bulk of the United States gold stock might be indirect in part, but it would be unavoidable. The open mint for silver in France was all that Germany used or needed to effect the substitution of her silver for the gold of France. That is what silver monometallism in the United States would at last come to, undeniably - the exchange of European silver against American gold; and that could not raise the ratio of silver to its old level, but would fasten it down finally.

"Even were this indirect but ultimate exchange of our gold for European silver hindered by any present tendency of coin balances to continue in our favor, it is still but an affair of time. There are other arguments, too complex to be met incidentally; but whatever their force, the disuse of gold by the United States would be compensated by its increased use in Europe, and thus prevent its loss of purchasing power. So our increased use of silver, tending to enhance its purchasing power, would be countervailed without benefit to the United States, by its diminished use in European nations, thus preventing its gain of purchasing power, whether their legal tender silver stocks were drained off to the West or East. The bimetallic theory of an ever-balancing approximation of the two metals to a fixed ratio, whatever the variations in the natural in-

crease from mines of either metal, has no application to the case of substitution which Germany effected at the expense of France. The emigration of our gold to Europe would not restore the price of silver.

"There is one way, and only one, by which silver can be restored to its old ratio and value, namely an international concert upon a common ratio with open mints to both metals at that ratio.

"A concert of European powers without the concurrence of the United States is impossible, for this reason. The ratio of gold at which most of the European silver stocks have coined is 15.5:1. Our ratio is 16:1. A merely European concert of nations would make profitable the export of all our silver, and we should be drained of the metal as we were, by the same difference of ratios, from 1834 onward, when our loss induced in 1853 our first subsidiary coinage of fractional silver.

"A concert of the European powers together with the United States, until we stop coining silver, is impossible for the same and another reason. It is impossible while ratios differ, and while we persist in that which is not only different, but which would both drain us of all except fractional silver, and inundate them with our coined $220,000,000 and whole future annual product. But moreover, the step is one which no European nation, now loaded with a depreciated but full tender silver coinage, will consent to take while the direct or indirect substitution of European silver for the United States gold seems a possibility under the continuing operation of our present laws, by those who control, with firm hand, the monetary policy of foreign powers. So long as we do not stop, and stop unconditionally, our coinage of full legal-tender silver, we cannot destroy foreign hopes of enlarging their stock of gold at our expense. But I am equally well assured, that when we do stop, and stop unconditionally, and destroy such hopes, such an international concert as I have described will then become possible. The situation of bimetallic European nations will then be no better than ours, and, for the first time since the fall in value of their full legal-tender silver, will offer no other remedy or outcome than an agreement, with suitable precautions, upon open mints at a fixed and common ratio to which the assent of the United States would be indispensable."14

The following letter from the Assistant Secretary of the Treasury was placed before Congress in March 26th.

"The last appropriation for this purpose (storing of silver) was $100,000 made in 1883; of which there remains unexpended the sum of $1,707.28. In view of the fact the amount of standard silver dollars required to be coined under existing

14. Darwin R. James, <u>op. cit.</u>, pp. 2 - 4

law is about $27,000,000 each year, and that the remaining space available in the vaults of the subtreasury offices other than at New Orleans is not sufficient for the storage of the coinage for the ensuing twelve months, it is deemed advisable and prudent to ask that a suitable appropriation be made to enable the Department to erect vaults in some other of the subtreasury offices, leaving the vault at New Orleans free for the storage of the accumulation of the coinage executed at the mint in that city."15

The Issue of $1, $2, and $5 Silver Certificates

The only thing done by Congress to help the situation was in an amendment put on an appropriation act. The act passed on August 4, 1886. The amendment is:

"And the Secretary of the Treasury is hereby authorized and required to issue silver certificates in denominations of one dollar, two dollars, and five dollars, and the silver certificates herein authorized shall be receivable, redeemable, and payable in like manner and for like purposes as is provided for silver certificates by the act of February twenty-eighth, 1878, entitled "An act, to authorize the coinage of the standard silver dollar, and to restore its legal-tender character," and denominations of one, two and five dollars may be issued in lieu of silver certificates of larger denominations in the Treasury or in exchange therefor upon presentation by the holders and to that extent said certificates of larger denominations shall be cancelled and destroyed."16

This bill was vetoed by the President and passed over his veto in the Senate by a vote of 46 to 19, and in the House by a vote of 196 to 73.[17]

Retirement of Trade Dollar

On March 3, 1887, Congress passed "An Act for the retirement and recoinage of the trade dollar". President Cleveland did not approve of this law, but he allowed it to become a law

15. Jacob H. Gallinger, Speech on Silver Coinage, p. 9
16. United States Statutes at Large, August 4, 1886, Under Printing and Engraving, Paragraph 4, p. 227
17. David K. Watson, History of American Coinage, p. 154

18
without his signature.

The Act provided:

"Be it enacted...., That for a period of six months after the passage of this act, United States trade-dollars, if not defaced, mutilated, or stamped, shall be received at the office of the Treasurer, or any assistant treasurer of the United States in exchange for a like amount, dollar for dollar, or of standard silver dollars, or of subsidiary coins of the United States.

"Section 2. That the trade-dollars received by, paid to, or deposited with the Treasurer or any assistant Treasurer or national depositary of the United States shall not be paid out or in any other manner issued, but, at the expense of the United States, shall be transmitted to the coinage mints and recoined into standard silver dollars or subsidiary coin, at the discretion of the Secretary of the Treasury: Provided, That the trade-dollars recoined under this Act shall not be counted as part of the silver bullion required to be purchased and coined into standard dollars as required by the Act of February 28, 1878.

"Section 3. That all laws and parts of laws authorizing the coinage and issuance of United States trade-dollars are hereby repealed."19

These trade dollars were created for the China trade, but the Chinese were used to the Mexican silver dollar and so did not readily accept the trade dollar.

In sections of the United States where the exact purpose of these dollars was not known, many dishonest people introduced them. They passed them at their full value. In all, there had been coined 35,959,360 of these.

When speculators heard of the above Act, they began to import them from China, believing that the Government would redeem them at their face value in gold. Probably 2,000,000 were held with this in view. Pressure came from these people and the act was passed. 7,689,036 were redeemed in the six

18. J. Laurence Laughlin, The History of Bimetallism in the United States, p. 258
19. United States Statutes at Large, March 3, 1887, Sections 1, 2, and 3

months allowed by the Government. The trade dollar then passed out of our history never to appear again.[20]

The British Report

Secretary Fairchild deciding that the silver purchasing could not be stopped, looked around for ways and means to make it safer. Silver dollars to the number of $62,500,000 were in use, although when things were dull, it sank to about $55,000,000. The Treasury had only $53,000,000 in its vaults not held in reserve, against nearly $94,000,000 in July, 1886. The small silver certificate issue had enlarged the total to $161,000,000. The bullion value of the silver dollar had dropped to seventy-five cents. The ratio now stood in the commercial markets as 21 to 1.

In 1888, the report of the British Commission was given. The twelve commissioners were unanimous as to the causes of the fall in prices. They said: -

"The action of the Latin Union in 1873 broke the link between silver and gold, which had kept the price of the former, as measured by the latter, constant at about the legal ratio; and when this link was broken the silver market was open to the influence of all the factors which go to affect the price of a commodity. These factors happen since 1873 to have operated in the direction of a fall in the gold price of that metal, and the frequent fluctuations in its value are accounted for by the fact that the market has become fully sensitive to the other influences to which we have called attention above." (The great increase in production of silver and diminution of the gold product, increased use of gold and diminished use of silver, resulting from changes in currency systems the sale of silver by Germany and the removal of the steadying force of the Latin Union).

The Commission was evenly divided as to the remedy. Lord Herschell headed the half that refused to change the present

20. J. Laurence Laughlin, <u>op. cit.</u>, p. 257

British System. They said: -

"In our opinion it might be worth while to meet the great commercial nations on any proposal which would lead to a more extended use of silver, and so tend to prevent the apprehended further fall in the value of that metal, and to keep its relation to gold more stable.

"Though unable to recommend the adoption of what is commonly known as bimetallism, we desire it to be understood that we are quite alive to the imperfections of standards of value, which not only fluctuate, but fluctuate independently of each other; and we do not shut our eyes to the possibility of future arrangements between nations which may reduce these fluctuations.

"One uniform standard for all commercial countries would no doubt, like uniformity of coinage or of standards of weight, and measure, be a great advantage. But we think that any premature and doubtful step might, in addition to its other dangers and inconveniences, prejudice and retard progress to this end.

"Under these circumstances we have felt that the wiser course is to abstain from recommending any fundamental change in a system of currency under which the commerce of Great Britain has attained its present development."

The other half held that a system of bimetallism based on an agreement of all nations as to ratio would steady the market just as the Latin Union's agreement had.

"Neither metal alone exists in sufficient quantity to serve as a sole standard without causing such a change in the level of prices as to amount to a financial and commercial revolution; but we cannot doubt that if a sufficiently wide area of agreement between the leading commercial countries can be secured this most important result may be effectually attained and a great international reform successfully accomplished.

"Failing any attempt to reestablish the connecting link between the two metals, it seems probable that the general tendency of the commercial nations of the world will be towards a single gold standard.

"Any step in that direction would, of course aggravate all the evils of the existing situation, and could not fail to have a most injurious effect upon the progress of the world.

"A further fall in the value of silver might at any moment

give rise to further evils of great and indefinite magnitude in India, while a further rise in the value of gold might produce the most serious consequences at home.

"No settlement of the difficulty is, however, in our opinion, possible without international action.

"The remedy which we suggest is essentially international in its character, and its details must be settled in concert with the other powers concerned.

"It will be sufficient for us to indicate the essential features of the agreement to be arrived at, namely, (1) free coinage of both metals into legal tender money; and (2) the fixing of a ratio at which the coins of either metal shall be available for the payment of all debts at the option of the debtor.

"We therefore submit that the chief commercial nations of the world, such as the United States, Germany, and the States forming the Latin Union, should in the first place be consulted as to the readiness to join with the United Kingdom in a conference, at which India and any of the British colonies which may desire to attend should be represented, with a view to arrive, if possible, at a common agreement on the basis above indicated."

The report was ordered printed by Congress in 1889.

By 1888, there were nearly $230,000,000 in silver certificates in existence, and about 60,000,000 silver dollars were in circulation. The Treasury had only $30,000,000 in free silver. Yet, the Secretary of the Treasury, Fairchild, still urged action to remove the danger of going on a silver basis. He stressed the need of an international agreement before the crisis came. The gold reserve had been increased during his term to more than $200,000,000.

The Sherman Silver Act

When Harrison became President, the Silver men thought something would now be done for silver. Mr. Windom became

Secretary of the Treasury.

Silver was now at the ratio of 22 to 1. The silver dollar was worth in bullion value about seventy-two cents. The United States had coined 343,500,000 silver dollars. Only 60,000,000 silver dollars were in use, but 277,300,000 were represented by silver certificates and so were held as reserve in the Treasury. There was only 6,200,000 silver dollars free in the Treasury.

Silver, although the United States had bought large amounts had continued to fall. Bimetallism could not be established single handed. Silver was only held in circulation because of the Government's promise to redeem in gold. This could not continue forever.

The solutions proposed were: "1st, an international agreement, which it had been urged would be brought about by distress in Europe due to falling prices, and would be accelerated by suspension of purchases by us (he did not favor such a dangerous measure); 2nd, continuing the present policy of buying the minimum of $2,000,000 worth a month, which was satisfactory to no one; 3rd, increasing to the maximum of $4,000,000 a month as provided in the law of 1878, urged as proper to offset the contraction of currency erroneously supposed to be going on, when in fact it had been expanded nearly $600,000,000, or $4.75 per capita; (this policy would not raise the market price of silver); 4th, free coinage (this would surely banish gold, thus causing contraction, and bring the country upon a depreciated standard); 5th, coining heavier dollars, "honest dollars" (but this would be impracticable, as the ratio fluctuated too frequently, and would indefinitely postpone international action); 6th, issue certificates for bullion at the rate of four hundred and twelve and one-half grains to the dollar, without limit (which was equivalent to free coinage and hence would be equally disastrous)."

He said in support of this that while it satisfied the demand for continued use of silver, it also provided an issue of sound notes which could not depreciate; it would increase the value of silver and so make free coinage possible; it would

prevent contraction of the currency by supplying the place of the banks notes which were rapidly being withdrawn; it would, if it was a success, show other nations the way to do the same. Nothing was to be feared from the European silver, because it was to be taken at market price.

President Harrison, in his message to Congress, stated that he was in favor of doing something for silver. He had not had time to study Secretary Windom's plan, but he approved of its general scheme.

It was introduced into the House on January 20, 1890.[21] The McKinley tariff was before it. The Free Silver Senators made it known that the Tariff Bill would not pass unless something was done for Silver.[22]

In June, after the Tariff Bill had passed, Congress got ready to do something about the resolution on silver. They found that the Committee on Coinage reported back a much altered bill. It directed the purchase monthly of $4,500,000 worth of silver with an issue of Treasury notes, which were to be legal tender when silver reached parity at 16 to 1. Bland moved to recommit this bill and order the committee to report a free silver bill. This was defeated 140-116.

The committee's bill passed the House with a majority of 16. The Democrats did not vote for it. In the Senate numerous amendments were proposed. Morrill suggested that the legal tender feature of the notes be struck out. This was defeated 50-14. In the vote, Carlisle was for it and Sherman

21. A. Barton Hepburn, op. cit., pp. 308-315
22. Charles S. Ashley, The Financial Question, p. 11

against it. The Silver men in the Senate substituted a free coinage bill by a vote of 42 to 25. After a vigorous struggle in the House, the Senate's free coinage bill was defeated 152 to 135. The two bills were sent to a conference of both Houses. Under Sherman leadership, the House bill was made over. This bill passed on July 14, 1890. The House voted 123 to 90, the Senate 39 to 26. The Act is known as the Sherman Act.[23] It Provided:

"Be it enacted...., That the Secretary of the Treasury is hereby directed to purchase, from time to time, silver bullion to the aggregate amount of 4,500,000 ounces, or so much thereof as may be offered in each month, at the market price thereof, not exceeding one dollar for three hundred and seventy-one and twenty-five one hundredths of pure silver, and to issue in payment for such purchases of silver bullion Treasury notes of the United States to be prepared by the Secretary of the Treasury, in such form and of such denomination, not less than one dollar nor more than one thousand dollars, as he may prescribe, and a sum sufficient to carry into effect the provisions of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated.

"Section 2. That the Treasury notes issued in accordance with the provisions of this act shall be redeemable on demand, in coin, at the Treasury of the United States, or at the office of any assistant treasurer of the United States, and when so redeemed may be reissued; but no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes, and such Treasury notes shall be a legal tender in payment, of all debts, public and private, except where otherwise expressly stipulated in the contract, and shall be receivable for customs, taxes, and all public dues, and when so received may be reissued; and such notes when held by any national banking association, may be counted as a part of its lawful reserve. That upon demand of the holder of any of the Treasury notes herein provided for the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin, at his discretion, it being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law.

23. A. Barton Hepburn, _op. cit._, pp. 315 & 316

"Section 3. That the Secretary of the Treasury shall each month coin two million ounces of the silver bullion purchased under the provisions of this act into standard silver dollars until the first day of July 1891, and after that time he shall coin of the silver bullion purchased under the provisions of this act as much as may be necessary to provide for the redemption of the Treasury notes herein provided for, and any gain or seigniorage arising from such coinage shall be accounted for and paid into the Treasury.

"Section 4. That the silver bullion purchased under the provisions of this act shall be subject to the requirements of existing law and the regulations of the mint service governing the methods of determining the amount of pure silver contained, and the amount of charges or deductions, if any, to be made.

"Section 5. That so much of the act of February 28, 1878, entitled "An act to authorize the coinage of the standard silver dollar and to restore its legal-tender character", as requires the monthly purchase and coinage of the same into silver dollars of not less than two million dollars, nor more than four million dollars' worth of silver bullion, is hereby repealed.

"Section 6. That upon the passage of this act the balances standing with the Treasurer of the United States to the respective credits of national banks for deposits made to redeem the circulating notes of such banks, and all deposits thereafter received for like purpose, shall be covered into the Treasury as a miscellaneous receipt, and the Treasury of the United States shall redeem from the general cash in the Treasury the circulating notes of said banks which may come into his possession subject to redemption; and upon the certificate of the Comptroller of Currency that such notes have been received by him and that they have been destroyed and that no new notes will be issued in their place, reimbursement of their amount shall be made to the Treasurer, under such regulations as the Secretary of the Treasury may prescribe, from an appropriation hereby created, to be known as "National bank notes, Redemption account," but the provisions of this act shall not apply to the deposits received under section 3 of the act of June 20th, 1874, requiring every National Bank to keep in lawful money with the Treasurer of the United States a sum equal to five percent of its circulation, to be held and used for the redemption of its circulating notes; and the balance remaining of the deposits so covered shall, at the close of each month, be reported on the monthly public debt statement as debt of the United States bearing no interest.

"Section 7. That this act shall take effect thirty days from and after its passage.24

Approved, July 14, 1890.

24. United States Statutes at Large, July 14, 1890, Sections 1, 2, 3, 4, 5, 6, and 7

President Harrison signed the Sherman Act. He, also, praised it by saying it was a "long and yet safe step toward free coinage." Governor McKinley of Ohio also praised it. He claimed for the Republican Party the rise in the price of silver which followed its passage. Both of these men used the passage of the Sherman Act as campaign material for the elections in 1890.

Results of Sherman Act

The tariff bill reduced the revenue about $50,000,000 yearly. A pension bill was also passed that required an expenditure annually of $50,000,000....The inflation caused by the Sherman Act would be at about $50,000,000 yearly less the reduction in bank-notes. This increased the Government's gold liability, but gave no way to obtain any more reserve gold.[25]

In November 1890, the crash of the English House of Baring, produced a commercial crisis in the United States. The Treasury was forced to pay out cash not only in ordinary disbursements, but in payment of interest on bonds. Also, a heavy export of gold at the same time was made because of need in Europe. Between February and July 1891, the export was not less than $70,000,000. Most of it came from the sub-Treasury in New York. The Treasury gained some gold, but its net loss from all of this was more than $70,000,000.[26]

On June 30, 1892, because of a favorable trade balance coming from exporting our crops to Europe, whose crops were

25. A. Barton Hepburn, op. cit., p. 317
26. F. W. Taussig, op. cit., pp. 63 & 66

poor that year; the United States shortage was only $500,000. In July, exports of gold began again. The banks began paying in notes and thus the gold was drawn from the Treasury. In the next seven months more gold was drawn out than in the thirteen years preceding.

A rise in the price of silver to $1.21 per ounce fine, followed the passage of the Act, but soon after it began dropping at a great rate. The party in power, the Democrats, was blamed. The Republicans began trying to pass some decisive legislation.

A bill was reported in the Senate providing for an increased purchase of silver, under the law of 1890, for the period of one year, in order to absorb the surplus in the market, which seemed to keep down the price. The silver Republicans, and the silver Democrats united and passed a bill for free coinage, by a vote of 39 to 27. The House refused all such attempts. The Treasury department continued issuing notes. Silver fell to ninety-six cents an ounce.

President Harrison tried for another international conference. It, again, failed.

The silver men in the Senate, in the next session, 1891-1892, were reenforced by Senators from the recently admitted Rocky Mountain States. They passed at free coinage bill at the ratio of 16 to 1 by a vote of 29 to 23. House defeated it.[27]

Secretary of the Treasury, Foster, at a dinner given by the Chamber of Commerce of New York, said, among other things,

27. A. Barton Hepburn, <u>op. cit.</u>, pp. 364-367

that the Government intended gold payments even if it should become necessary to sell government bonds to obtain the means.[28]

On his return to Washington, he ordered the Bureau of Engraving and Printing to prepare some new bonds. This was on February 20, 1893.

He, then, went to New York and persuaded the banks to give him a few millions of gold in exchange for legal-tender notes, enough to carry him to March 4th. This enabled Mr. Foster to leave office with the $100,000,000 gold reserve intact, and with a surplus of only $987,000.[29] In the election, which soon followed, Cleveland, the gold advocate, was elected.

28. Horace White, History of the Gold Standard and the Present Attitude of the Currency Controversy, pp. 9 & 10
29. F. W. Taussig, op. cit., p. 149

CHAPTER XI

THE REPEAL BILL

The Condition of Silver Mining

The production of silver has increased as the demand increased. Upon the passage of the Sherman Bill, the product advanced from 45,000,000 ounces in 1888 to an average of 55,000,000 ounces from 1889 to 1893, inclusive. When the purchase clause was repealed, the product fell to 49,000,000 ounces in 1894.

The world's annual production of silver from 1493 to 1865, inclusive was 16,887,157 ounces. From 1861 to 1864 it reached 35,401,972 ounces, annually. From 1866 to 1894, inclusive, the annual average production was 114,326,397 ounces. In 1894, it was 167,752,561 ounces. This was about nine times the annual production from 1493 to 1865. From 1876 to 1894 the business of silver mining had increased 147 percent.[1]

The Financial Condition

On March 4, 1893, the eve of President Cleveland's second administration, the condition of the Treasury was not satisfactory. The cash balance available for current payments was about $24,000,000. The gold reserve was maintained above $100,000,000, which had come to be thought of as the danger line, only by extraordinary efforts. When Cleveland left the office of President in March 1889, in the Treasury, there was $196,245,980 gold reserve and $70,158,461 other available

1. Mr. Boutwell, Speech on the Mint Bill of 1873, in the United States, pp. 17 & 18

cash balance.

The want of funds for current expenses without touching the gold reserve and the pledge of tariff revision lessened the revenues. Business interests that were affected by custom law were halted waiting for action from Congress. Manufacturing was diminished, labor unemployed, consumption reduced and government revenue fell off.

The Treasury notes of 1890 were redeemable "in coin". The administration had not up to this time declared whether "in coin" meant gold or silver. A reported decision of Mr. Carlisle to use silver, caused great alarm. Cleveland declared his purpose to redeem them in gold and to use all of his power to continue to do so.[2]

Mr. Carlisle, the new Secretary of the Treasury, followed Mr. Foster's example. He went to the banks. The banks gave $8,000,000 in gold in exchange for legal tenders. The gold was soon exported. On April 15th, the Secretary was obliged to state that the $100,000,000 reserve fund had been drawn on.

A panic quickly followed. Runs on banks began at once. The banks were compelled to curtail their loans and discounts. The alarm spread to the saving bank depositors. They either withdrew their savings or stopped depositing them. Both private individuals and corporations failed. One hundred fifty-eight national banks suspended operations. All, but five of these, were in the Southern, Western and Pacific States and Territories. During the same period, there were 415 failures

2. A. Barton Hepburn, History of Coinage and Currency in the United States, pp. 371 & 372

of state and private banks. The number of business failures during the year was 14,212.[3]

During the panic, the Treasury suffered little. So great was the demand for cash that great quantities of gold was imported from Europe. The fact that the people were not used to gold in every day payments caused all forms of paper money to be prized. Currency of any sort being in demand by banks and individuals, gold was used in payments to the Treasury. The Treasury took in a larger proportion of gold coin than it had for many years. During August and September, one half of the custom payments in New York were made in gold coin. The panic soon died down. In October and November, cash was over abundant. The Treasury received no more gold, but instead it began again to pay it out.[4]

Because of the weakness of the Treasury, Europe feared that the United States might go on to the silver basis. Every express steamer brought over American securities and took back gold. The net loss during 1893 was $87,500,000. This fear also aroused the banking and business interests to united action. The banks, in a period of six weeks, purchased at high rates and imported $50,000,000 in gold.

The Repeal Act

President Cleveland called Congress together for an extra session in August. He attributed, in his message, the financial condition to the silver law of 1890 and recommended that it be repealed.[5] He said:

3. Horace White, The History of the Gold Standard and the Present Attitude of the Currency Controversy, pp. 10 & 11
4. F. W. Taussig, The Silver Situation in the United States, pp. 142 & 143
5. A. Barton Hepburn, op. cit., pp. 371 & 372

"I earnestly recommend the prompt repeal of the provisions of the act passed July 14, 1890, authorizing the purchase of silver bullion, and that other legislative action may put beyond all doubt or mistake the intention and the ability of the government to fulfill its pecuniary obligations in money universally recognized by all civilized countries."6

He pointed out that in three years the Treasury had lost $132,000,000 of gold and gained $147,000,000 of silver. If this continued, all of the funds would soon be in silver and the parity between gold and silver would be impossible to maintain.[7]

The repeal bill was introduced into the House by Mr. Wilson, Chairman of the Committee on Ways and Means on August 11, 1893.

Mr. Bland offered a resolution governing the mode of proceeding while the bill was under consideration in the House. It provided that the bill should be considered for fourteen days, and that during such time night sessions might be held for debate only. The daily sessions were to commence at eleven A.M. and continue until five P.M. Eleven days were to be given to general debate on the bill and three days alloted to debate on the bill and the amendments under the five minute rule of the House.

Mr. Bland, then, offered a bill providing that all holders of silver bullion to the amount of one hundred dollars or more, of standard weight and fineness, should be entitled to have the same coined into silver dollars; that the dollars should consist of 412½ grains of standard silver and should be a legal tender for all debts, dues, and demands, public and pri-

6. Lewis A. Hough, The Principles of Coinage and Currency, p. 25
7. A. Barton Hepburn, op. cit., p. 372

vate; that the holder of the silver dollars should be entitled to deposit the same and receive silver certificates and that so much of the Act of July 14, 1890, as required the monthly purchase of 4,500,000 ounces of silver be repealed.

On August 28th, after the expiration of the general debate on the bill, Mr. Bland offered an amendment like the one stated above, excepting that the holder of bullion was required to have only fifty dollars worth. A yea and nay vote was taken on this. The result was 226 nays and 125 yeas.

Mr. Bland, then, offered four amendments providing respectively for coinage at the ratio of 17 to 1, 18 to 1, 19 to 1, and 20 to 1. These were defeated by the following votes: 1st, by 101 yeas to 241 nays; 2nd, by 103 to 240; 3rd, by 104 to 238; and, the 4th, by 122 to 222.

Mr. Bland, then, offered a resolution reviving the Bland-Allison Act of 1878. This was defeated by a vote of 213 to 136.

On August 28th, the vote was taken on the original bill introduced by Mr. Wilson. The vote was in favor of it, 239 to 108.

The bill then went to the Senate and was referred to the Finance Committee. Mr. Voorhees, the Chairman, reported a substitute which provided for the repeal of the purchase clause of the Act of July 14, 1890, but also declared that it was the policy of the United States to continue the use of gold and silver as standard money, and to coin them into money of

equal intrinsic and exchangeable value, such equality to be secured through international agreement, or by such safeguards of legislation to insure the maintenance of the parity and value of the coins of the two metals, and declared that the efforts of the Government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal power of every dollar coined or issued by the United States in the markets and in the payment of debts. The substitute, as amended, was passed by the Senate, after a prolonged debate. The vote was 43 to 32.

The bill was then returned to the House. Mr. Bland moved to recommit the bill and add to the Senate amendment the following: "and to provide for carrying into effect the policy of the foregoing declaration; and that so much of the Act of January 18, 1837, in regard to the establishment of a mint as relates to and provides for the coinage of the standard silver, is hereby revived and re-enacted in full force and effect."

The question came up on the motion to recommit, and was defeated by a vote of 176 to 109. It, then, came up on the motion to concur in the Senate amendment. This passed with a vote of 194 to 94.[8]

The President had a hard time inducing his own party to support this issue. The Act is:

"Be it enacted....That so much of the act approved July 14, 1890, entitled 'An act directing the purchase of silver bullion and issue of Treasury notes thereon, and for other purposes,' as directs the Secretary of the Treasury to purchase from time to time silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month at the market price thereof, not exceeding one dollar for three hundred seventy-one and twenty-five hundredths grains of pure silver, and to issue in payment for such purchases Treasury notes of the United States,

8. David K. Watson, <u>History of American Coinage</u>, pp. 173 - 177

equal intrinsic and exchangeable value, such equality to be secured through international agreement, or by such safeguards of legislation to insure the maintenance of the parity and value of the coins of the two metals, and declared that the efforts of the Government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal power of every dollar coined or issued by the United States in the markets and in the payment of debts. The substitute, so amended, was passed by the Senate, after a prolonged debate. The vote was 43 to 32.

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8. David K. Watson, *History of American Coinage*, pp. 173 - 177

be, and the same is hereby, repealed. And it is hereby declared to be the policy of the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value, such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets, and in the payment of debts. And it is hereby further declared that the efforts of the Government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal dollar coined or issued by the United States, in the markets and in the payment of debts."9

Effect of Currency on Wages and Prices

On March 3, 1893, a subcommittee of the Committee of Finance of the Senate made a report on the course of prices and wages in this country for a period of fifty-two years, embracing the prices of almost every article of consumption in common use among the people and the rates of wages in almost every industry carried on during that time.

The subcommittee was composed of five Senators, representing both political parties and both sides of the currency question. The investigation lasted almost two years. The following is a summary of the report:

"Congress, early in the year 1862, inaugurated the policy of issuing legal-tender paper, gold was driven out of circulation, specie payments were suspended, the currency began at once to depreciate, and before the close of the year, the paper dollar was worth less than seventy-six cents in gold.

"From the time the depreciation began the prices of commodities and the wages of labor were paid in paper currency, and the injurious effect upon the interests of the laboring man is clearly shown in the report referred to. In 1862, The Wages of Labor paid in Depreciated Paper, were less than three per cent higher in paper than when paid in Gold, but the Prices of the two hundred and twenty-three articles used by the laborers and other people in the maintenance of their fa-

9. United States Statutes at Large, November 1, 1893, Section 1

milies were nearly eighteen per cent higher than they were when paid in Gold: in 1863 the wages of labor paid in depreciated paper worth about sixty-nine cents on the dollar, were ten and one-half per cent higher than when paid in gold, but the prices of the articles the laborer had to buy with his wages were nearly forty-nine per cent higher; in 1864 the wages of labor paid in depreciated paper dollars worth forty-nine cents each had advanced twenty-five and one-half per cent, but the prices of the necessaries of life had advanced ninety and one-half per cent; in 1865 wages paid in paper currency worth sixty-three cents on the dollar had advanced forty-three per cent above the rates previously paid in gold, or its equivalent, but the prices of commodities had advanced nearly one hundred and seventeen per cent - that is to say, had more than doubled; and in 1866 wages paid in currency worth seventy-one cents on the dollar had advanced a fraction more than fifty-two per cent from the previous rates in gold or its equivalent, but the price of commodities had advanced ninety per cent.

"The rise in the rates of wages never corresponded with the rise in the prices of other things until the year 1869, four years after the close of the war, when the value of our currency was seventy-one cents on the dollar, and it was quite certain that no further depreciation would occur. In 1860 this country was on a gold basis and had been on that basis for many years, under the operation of the acts of 1834 and 1837. Wages were then paid in gold, or its equivalent, and by reducing the wages paid in a depreciated currency to a gold basis, and comparing them with the rates paid in gold in 1860, we shall have another demonstration of the injurious effects of cheap money on the interests of the laborer. On this basis the laborer received seventy-six cents and two mills in 1863, instead of the gold dollar he received in 1860; in 1864 he received eighty cents and eight mills instead of a gold dollar, and in 1865 he received sixty-six cents and two mills instead of a gold dollar. In other words, the wages of labor, measured by gold, as they were in 1860, when we had a sound currency, had fallen about twenty-four per cent in 1863, more than nineteen per cent in 1864, and nearly forty-four per cent in 1865, when we had a depreciated currency; and, gentlemen, the force of this illustration is greatly augumented by the facts that these reductions in the rates of wages occurred at a time when several thousands of laborers had been withdrawn from the field of competition, the Government was engaged in the prosecution of a great war and was expending money lavishly for all kinds of supplies for the Army and Navy, and when the prices of all the products of labor had largely increased. Surely, if there ever can be a time when an abundance of cheap money will increase the wages and improve the condition of laboring men, these results ought to have been accomplished under the combination of fa-

vorable circumstances existing, especially in the great centers of industry, from 1861 to 1865, and yet there has been no other period in our history when the rates of wages fell so rapidly or so low."10

At this time the British Government closed the mints of India to the free coinage of silver. Silver fell to seventy-eight cents per ounce, thus giving it a ratio of twenty-six and one-half to 1. This further depression of the price of silver added to the difficulties of the United States Treasury.

Government Loans

Carlisle, in his report to Congress, asked for authority to make temporary loans to cover revenue deficits and also for specific authority to issue bonds for gold for the purpose of increasing the gold reserve. He urged that so long as the Treasury was charged with the functions of a bank of issue, ample provision for the redemption of its notes should be made. Congress disregarded his recommendation.[11]

Senator Allen of Nebraska, on January 25, 1894, denied that there was any such thing as a greenback redemption fund. He said:

"The so-called reserve fund is one of the instruments used in a gigantic system of buncoing the people. It is used as the occasion and pretext for the unnecessary issuance and sale from time to time of government bonds, with which to stop the clamoring of Lombard and Wall Street sharks, as the dismal bark of Cerberus, the triple-mouthed dog that stood guard at the gate of Hades was stopped by being fed with victims destined for the weird and wasteland of Pluto."12

In January 1894, the gold reserve fell below $66,00,000. There was but $18,000,000 in other available cash. Under the authority granted by the Resumption Act of 1875 he issued

10. John G. Carlisle, Carlisle on the Ratio of 16 to 1, pp. 11 & 12
11. A. Barton Hepburn, op. cit., pp. 377 & 378
12. Horace White, op. cit., p. 12

$50,000,000 worth of ten-year five per cent bonds. He tried to float the loan by popular subscriptions, but failed. He then went to the New York Bankers. He told them, that less than $5,000,000 had been subscribed. A brief summary of what he said to the bankers is given:

"Unless you take this loan, it will be a failure. Just what effect its failure will have upon the business interests which you represent, you gentlemen, are better able to judge than I am. What the political effect will be I can perhaps better judge than you. All business interests and all classes of people are suffering, and have been for many months. The silver purchasing provision of the law of 1890 was denounced as the cause, and its repeal advocated as a remedy. You gentlemen, joined if you did not lead in this sentiment. The President convened Congress, the law was repealed - not promptly, as it should have been, but it was repealed, nevertheless. The troubles seemed to continue without abatement. Then it was proclaimed that the gold reserve was impaired, hence the credit of the government endangered, and must be restored in order to restore confidence and credit generally, and bonds should be issued for that purpose. Well, we offer you the bonds. If you take them and give the government gold, I think the situation will be relieved. If you refuse, the bond issue is a failure. In that case, I think an act to coin the seigniorage in the Treasury, or issue silver certificates against the same will pass both houses of Congress almost immediately. The friends of silver will then say to the President: 'You have tried Wall Street's remedy twice, and each time it has failed. Now try ours.' Under the circumstances I very much fear that the President in his poverty will be compelled to sign such a bill. If this bond issue is taken, the situation will be relieved, and should a bill to coin the seigniorage reach the President, he will certainly veto it."

John A. Stewart replied: "Of course we will take the loan. We have known all along that in the end you would have to come to us; we have anticipated this interview, and are prepared to take the loan."

The loan was promptly taken up. A large sum of gold came from the banks to the Treasury.

In Congress the Secretary's power to issue the bonds was questioned. A resolution was introduced to stop the payment of interest on these bonds. A labor organization brought action against the Secretary for breach of authority in the Federal Courts. The court ruled in Secretary Carlisle's favor.

From some quarters of the country, there came severe criticisms of Carlisle, for not issuing bonds before. It would have prevented the feeling of distrust. That this distrust still remained may be seen by the fact that by September first, $75,000,000 of gold had been exported. The gold reserve was down to $55,000,000.

Congress passed, in April, a bill to issue silver certificates on the seigniorage on the silver bullion held in the Treasury. Cleveland vetoed it. A tariff bill was passed, but it added little to the revenue.

In November, a further issue of $50,000,000 five per cent bonds again became necessary. Carlisle in his report, urged that the greenbacks be retired. He also formulated an elaborate currency scheme, whose principal features were the keeping in the Treasury of legal tender notes as part security for national bank notes and permitting state banks to issue notes under certain restrictions.[13] This second loan increased the trouble. The public, in Europe and America, were now thoroughly alarmed. They believed that the government would not be able to continue payments long. They rushed to the

13. A. Barton Hepburn, op. cit., pp. 377 - 381

Treasury to get gold while the supply lasted. They began to present notes at the rate of $1,000,000 per day. This soon went to $3,000,000. By February 1, 1895, the reserve was down to the lowest point it had ever reached.[14]

A Republican House and Senate were elected in 1894. On January 9, 1895, Cleveland sent a special message to Congress. He asked for authority to issue a three per cent fifty-year gold bond, the proceeds to be used to retire and cancel the legal tender notes. He believed that the time had come when the Treasury should be relieved from "the humiliating process of issuing bonds to procure gold to be immediately drawn for purposes not related to the benefit of the government or our people."

Congress, having failed to act in the next month, and exports of gold having reduced the reserve to less than $42,000,000 Cleveland told Congress that, in order to maintain gold payments, he had been compelled to authorize a special contract with a syndicate to procure gold under the old law of 1862 continued as section 3700 of the Revised Statutes. The contract called for the purchase of gold to the value of $65,116,244 by the sale of $62,315,400 four per cent, thirty-year coin bonds at 104.496. But if Congress would authorize a three per cent gold bond, the bond would be taken at par and would result in saving $16,000,000. Congress by a vote of 167-120, refused.

Under the contract, the syndicate not only undertook

14. Horace White, <u>op. cit.</u>, pp. 13 & 14

to furnish the gold, but to take none from the Treasury with United States Notes, to actually import one-half of it and to do all in its power to prevent gold from being exported during the period of the contract.[15] The syndicate, of several hundred members, which included mostly banking houses of the United States and Europe, beside Rothschilds was managed by J. P. Morgan.

Their method was to sell European exchanges at a cheaper rate than the gold could be taken out of the Treasury and shipped to Europe. Because of this, no gold was shipped after February, 1895.

The Syndicate, for their own interest, began to promote, in every possible way, the return of confidence and business activity. They soon had restored the popularity of American securities and made large sales. Among others, they sold over $35,000,000 worth of bonds issued by the Elevated Railway System of New York. They, also, put powerful pressure on the banks to remove all the causes of the financial disturbances, such as railway rate wars and the like. Mr. J. Pierpoint Morgan, it is said, gave a dinner at his house to the President of a number of the great railways which were indulging in rate wars. He impressed upon them the absolute necessity of their helping to keep things in order. He is said to have conveyed the intimation, in no indistinct terms, that any railway manager who failed to do this might expect to have to look for another position.

15. A. Barton Hepburn, <u>op. cit.</u>, pp. 382 & 383

Deducting the heavy expenses of the syndicate, according to Mr. Brayton Ives, they made about six per cent on the loan.[16] The syndicate furnished $16,000,000 in gold more than their contract. They exchanged this gold for other kinds of money.

The administration's own party, in Congress, severely criticized it. The Senate appointed a committee to investigate the subject. The result was unimportant except that it favored the basis for political speeches. The business of the country approved of the measure. The exporting of gold stopped at once. By the end of February, the reserve stood at $84,000,000. In June, it had increased to $107,500,000.[17]

In December 10, 1895, the Secretary of the Treasury in his annual report said of this bond sale:

"Confidence in our securities as safe and profitable investments was at once restored to such an extent that they ceased to be returned to our market for sale, and a very considerable demand for them was created abroad; but the most gratifying evidences of improvement in our condition were afforded by the prompt revival of business among our own people, the increased activity and extension of our domestic, industrial and commercial operations, the rise in the prices of our principal agricultural products, and the general feeling of relief and security which became apparent in every part of the country. These encouraging indications of increasing prosperity still continue."

Just a week later, the Venezulean Message of the President with its hasty endorsement by Congress had been made. Confidence vanished. American securities were again returned. Business activity stopped. Enterprise became timid. Prices fell. Loaning money nearly ceased. The rate on call loans advanced to eighty per cent per year. Gold was hoarded and exported. The New York Clearing House Association authorized

16. Charles S. Ashley, The Financial Question, pp. 95 & 96
17. A. Barton Hepburn, op. cit., pp. 382 & 383

its Loan Committee to assist those banks of the Association that might ask for help. None needed, but it encouraged the people. The banks, through carefully loaning their money, did not allow their surplus reserve to go below $15,939,000.

The Treasury, on the other hand, was losing its gold. In five or six weeks, it was down to $44,563,000. During the same time the banks had added to theirs. They now had $40,182,000.

Popular clamor prevented the fourth issue of bonds from being the same as the third issue, because of the profit to be made by the bankers.[18] The bonds issued was thirty-year four per cent coin bonds. The loan was placed at one hundred and eleven and one-eighth, bringing in over $568,000,000. The net loss of gold by export in 1894 was over $4,500,000; in 1895, $31,000,000 and in 1896, $80,500,000.

The Director of the Mint, R. E. Preston, on June 14th, gave to the press a statement. It appeared in the Chicago Tribune, on June 15, 1895. It was:

"The Director of the Mint, R. E. Preston, estimates the world's production of gold for the calendar year 1894 to have approximated 8,870,518 fine ounces of the value of $181,510,100, against $158,836,000 for 1893, showing an increase during the year of $22,674,000. The greatest increases in the production of gold during the year were: Africa, $11,400,000; Australia, $6,073,000; United States, $3,500,000; Mexico, $3,195,000. Mr. Preston estimates the world's production of silver for 1894 at 165,918,338 fine ounces of the coining value of $214,318,000; the bullion value of the same at the average price (viz: sixty-three and one-half cents) of silver for 1894 was $105,348,135, showing a difference between the coinage and bullion value of $109,132,965. The increase in the production of silver in 1894 over 1893 was 722,000 ounces. The greatest increase in the production of silver was: Bolivia $10,800,000; Mexico, $3,500,000; Peru, $2,000,000; Chili, $1,400,000; Greece,

18. J. Howard Cowperthwait, Money, pp. 211 & 212

$1,400,000. Both the production of gold and silver in 1894 exceeded that of any prior year in the world's history. Mr. Preston is of the opinion that his estimate of gold and silver production for 1894 is a conservative estimate, and he is of the opinion that were the exact facts known they would show an increase even greater than stated."19

The feeling toward a gold basis was growing along with the increase in gold, as is shown by Austria and Russia going on the gold standard.

Carlisle's Report for 1895 showed a growing cash balance from the sale of bonds. He urged Congress to provide for the cancellation of the legal-tender notes. Cleveland argued that the government notes should be funded into bonds, not only to further expenses to procure gold, but to save the people from these crises.

Comptroller Eckel's report said that only sixty-nine new national banks had been established in 1894 and 1895. Bank circulation in October was the same as in 1893, $182,000,000.

The per capita circulation in July, 1895, was $22.93, and in 1896 was $21.10. This lessening of circulation, lower prices, and hard times produced throughout the country a condition favorable for the free silver movement. The movement was lead by able men. Pamphlets, books, speeches, and newspapers were given out in large numbers. Every phase of the question was discussed with ability and arguments well fitted to impress the public.

In Germany and England the opinion had apparently changed, so that an international agreement looked certain. In March, Congress appointed three members of each house, as a delegation,

19. Charles S. Ashley, <u>op. cit.</u>, p. 82

to confer with European representatives. Nothing came of this.

The idea of independent action by the United States became so strong that the internationalists soon became convinced, that the question would be settled at election.[20]

20. A. Barton Hepburn, op. cit., pp. 384 & 385

CHAPTER XII

SILVER AS A POLITICAL ISSUE

BETWEEN 1884 AND 1890

The Democrat Party Platform in 1880 said: "Honest money consisting of gold and silver and paper convertible into coin on demand.

In 1884 and 1888, they said: "We believe in honest money, the gold and silver coinage of the Constitution, and a circulating medium convertible into such money without loss."[1]

When the Republican Convention met at Saratoga, New York, on September 23, 1885, they adopted: "The restoration of silver to its former position through equality with gold before the law in a majority of commercial nations must remain, until accomplished, the chief aim of our monetary policy."[2]

Mr. E. A. Elliott, the Mining Editor of the Post-Dispatch, thought he would test the feeling of the people on the question of free coinage. So many replys were received, that a movement was made to hold a convention.[3]

The first National Silver Convention was held at St. Louis on November 26th, to November 29th, 1889.

A letter was sent to A. Singer, the Secretary of the National Silver Convention by the Industrial Congress, and a similar one by the Woman's National Industrial League of America. A copy of the first letter follows:

"A. Singer, Esq.,
"Secretary of the National Silver Convention,
"Assembled at St. Louis, Missouri.

1. George F. Hoar, Gold and Silver, p. 14
2. S. Dana Horton, Silver: An Issue of International Politics, p. 13
3. A Mining Engineer, An Unanswerable Argument, Silver, pp. 1 & 2

"Sir: The following resolutions were unanimously adopted at the last meeting of the Industrial Congress in Washington, vowing the sentiments of the wealth producers of the United States: Whereas, It is manifest that the people should have a larger volume of money to carry on industrial pursuits, therefore, Resolved, That this Industrial Congress urges the unlimited free coinage of silver and gold, as a step in the direction of securing a sufficient volume of money for the uses of the people of the United States Amended; and the coinage of $4,000,000 per month of silver dollars now authorized by law. Unanimously approved.

"Resolved, That it is the duty of this Industrial Congress to use every legitimate effort to defeat any aspirant for the speakership of the Fifty-first United States Congress, who is opposed to the full and free coinage of silver and gold.

"Resolved, That we hail with the greatest joy the onward march of true civilization, and in clasping hands with our sister, Republic of Brazil, we cordially extend to her our warmest congratulations.

"F. E. Warren, A. E. Reelstone,
"Secretary. President.4

The National Silver Committee passed a resolution and appointed a committee to prepare a memorial address to Congress and the people. The resolution adopted was:

"Resolved, That the Fifty-First Congress be requested by this Convention to provide at its first session, for opening the mints of the United States to the free and unlimited coinage of standard silver dollars, of the present weight and fineness, to be a legal tender for all debts, public and private, equally with gold, and that until such provision is made the Secretary of the Treasury be required to coin the maximum of $4,000,000 worth of Silver per month, as now authorized by law."5

These concessions were granted to try to please the Alliance men. The Alliance was composed of two organizations, a north-western and a southern, made up mostly of farmers. They had stood for, beside other things, more money, paper or silver, or both. It had always encouraged its members to vote for the party or man who upheld the interests of the Alliance.

4. A. J. Warner, Proceedings of the First National Silver Convention, p. 49
5. Memorial Address of the National Silver Committee, p. 3

The Birth of Populism

On June 12, 1890, a group of county North Western Alliance Presidents - at a convention, held at Topeka, Kansas, decided that the Alliance would get further if it formed as a separate organization a third party. This new party they called the People's Party or Populist.

The South Dakota "Independent" held their first convention in June, the 7th, five days before the Topeka Convention. They claim that South Dakota was the birthplace of the Populist Party.

In the South, a third party movement was not thought of. Their goal was to get control of the Democrat Party of that section.

This third party idea was not adopted immediately by the entire Northern section either. The group there were divided into the fusionists, the anti-fusionists and the mid-roaders.

In the election of 1890, the farmers began to unite and nominate their own candidates for state, local, and Congress. In the South they sought to capture the whole Democratic Party machine.

They were very successful and the agitation grew stronger for a third party along national lines. In December, 1890, at Ocala, Florida, the third party advocates went to attend a meeting of the Southern Alliance.

Doctor E. W. Macune proposed that as the South had no desire for a third party, the matter should be left until a

little before the next national campaign to decide the third party idea. The convention adopted this, but it did not satisfy the extremists.

The extremists held a Convention at Cincinnati on May 18, 1891. The resolutions announced the immediate formation of the People's Party with a national executive committee. This committee was directed to attend the proposed St. Louis Conference and if possible unite with the others. If this can not be done, it was to call a National Convention not later than June 1, 1892, to name a presidential ticket. A third party was thus secured.

In the Mountain States, interest in the third party grew, because it was the only party in favor of free silver. The People's Party drew the miners for this reason. In the campaign of 1892, the Populist Party did very little, but the reason was because it was a Presidential Campaign and old party loyalties were still stronger than the new one.[6]

The portions of the Party Platform for 1892 that dealt with silver was first, The National People's Party Platform:

"We demand free and unlimited coinage of silver and gold at the present legal ratio of 16 to 1": 2nd, the National Prohibition Platform: "The money of the country should consist of gold, silver and paper and be issued by the general government only, and be of sufficient quantity to meet the demands of business and give full opportunity for the employment of labor."7: 3rd, The Republican Platform: "Silver - The American people from tradition and interest favor bimetallism, and the Republican Party demands the use of both gold and silver as standard money, with such restrictions and under such provisions, to be determined by legislation, as will secure the maintenance of the parity of values of the two metals, so that the purchasing and debt-paying power of the dollar, whether of silver, gold, or paper shall be at all times equal.

6. John D. Hicks, The Populist Revolt, pp. 140, 156, 157, 206, & 255
7. "How Silver May be Restored," The Arena, XXI (June 1899), p. 757
8. George F. Hoar, op. cit., p. 14

The interests of the producers of the country, its farmers and its workingmen demand that every dollar, paper or coin, issued by the Government shall be as good as any other;8 and, 4th, the Democratic National Platform, shall endorse the fulfillment of these principles.

"Section 7. We denounce the republican legislation known as the Sherman act of 1890 as a cowardly makeshift, fraught with the possibilities of danger in the future which should make all of its supporters, as well as its author, anxious for its speedy repeal. We hold to the use of both gold and silver as the standard money of the country, and to the coinage of both gold and silver without discriminating against either metal or charge for mintage; but the dollar unit of coinage of both metals must be of equal intrinsic and exchangeable value or be adjusted through international agreement or by such safeguards of legislation as shall insure the maintenance of the parity of the two metals and the equal power of every dollar at all times in the markets and in the payment of debts; and we demand that all paper currency shall be kept at par with and redeemable in such coin. We insist upon this policy as especially necessary for the protection of farmers and the laboring classes, the first and most defenceless victims of unstable money and fluctuating currency."

On February 10, 1891, Mr. Cleveland wrote a letter that was published all over the United States. The extreme silver men declared that it would defeat Mr. Cleveland for renomination. The Democratic National Convention at Chicago in June, 1892, nominated him for President after voting down a motion to commit the party to the free coinage of silver. A portion of Mr. Cleveland's letter follows:

"I have this afternoon received your note inviting me to attend tomorrow evening the meeting called for the purpose of voicing the opposition of the business men of our city to the free coinage of silver in the United States....

"It surely cannot be necessary for me to make a formal expression of my agreement with those who believe that the greatest peril would be invited by the adoption of the scheme embraced in the measure now pending in Congress, for the unlimited coinage of silver at our mints.

"If we have developed an unexpected capacity for the assimilation of a largely increased volume of this currency, and even

if we have demonstrated the usefulness of such an increase, these conditions fall far short of insuring us against disaster if, in the present situation, we enter upon the dangerous and reckless experiment of free, unlimited and independent silver coinage."

The only party with a platform that declared for free and unlimited coinage of silver at 16 to 1 was the Populist Party.[9]

The People's Party ran James B. Weaver, the former Greenback candidate for 1892, for President in 1892. He attained over a million popular votes and twenty-two electoral votes from Colorado, Kansas, Idaho, Nevada, North Dakota and Oregon. The party achieved first or second place in thirteen of the forty-one States. It had popular votes from every State.[10]

In the Mountain States, local "silver clubs" were formed. State Convention of silverites were held. A great National Silver Convention was called for May, 1892, in Washington, D. C., to make sure that silver was not forgotten in the coming campaign. Republicans, Democrats, and Populists adopted free silver platforms.

The Democrats of Nevada officially served notice that "in the event of the Chicago National Convention failing to nominate who is unequivocally in favor of the free coinage of Silver and upon the free-coinage platform, the Democrats of Nevada are hereby absolved from all obligations to support nominees of the National Democrat Party."

When the Republican and Democratic Parties decided not to go to the extreme demanded, most of the members of the Mountain State promptly joined the Populists.

9. Hoke Smith, Speech, pp. 21 - 23
10. Harold R. Bruce, American Parties and Politics, pp. 95 & 96

In Nevada, a silver convention met at Reno, nominated presidential electors, and sent delegates to the National Nominating Convention of the Populist Party at Omaha. At a later convention the electors were instructed to vote for Weaver, the Populist Candidate.

The only trouble with this change was that the Mountain States were not interested in Populism, but only in Silver. They supported the Populist ticket because it was the only party that stood for free-silver coinage.

The Populist Governor elected in Colorado, Davis H. Waite, called the legislature into special session in December 1893, so that it might enact a law declaring "all silver dollars, domestic and foreign, containing not less than four hundred and twelve and one-half grains nine-tenths fine silver....legal tender for the payment of debts, public and private collectable within the State of Colorado." He defended this measure on the ground that the fate of the debtor class of the nation would be sad indeed if its only hope of free coinage was what Congress might do. He also defended it as constitutional because Article 1, Section 16, of the Constitution of the United States by forbidding the States to make anything but gold and silver coin a tender in payment of debts, recognized by implication the right of the states themselves to make gold and silver coin legal tender. The legislature of Colorado refused to vote for this, and most of the Populists also rejected it.

When Cleveland's repeal bill was introduced, it was met

by a united front of silver men of all parties. In the House, they were led by William Jennings Bryan, a Democrat, and in the Senate by William V. Allen, a Populist. At five o'clock in the afternoon of October 11th, Mr. Allen began to speak against the Repeal Bill and he continued until eight o'clock the following morning. It had lasted fifteen hours and was the longest speech made up to that time.

The Interested Ones

All of this discussion over the repeal, attracted the attention of the public and brought many converts under the silver banners. The people began to feel as if silver was the cure for all their ills.

An organization called the American Bimetallic League, which had held its first convention at St. Louis in November, 1889, accepted the job of winning votes for silver. It was strongly backed by the silver miners. After the election of 1892, the League redoubled its efforts. It held three conventions in 1893 at Washington in February, at Chicago in August and at St. Louis in October. The Chicago meeting came just before the Special Session of Congress that repealed the Purchase Clause. More than eight hundred delegates came. They included William Jennings Bryan, T. V. Powderly, Davis H. Waite, and Ignatius Donnelly. The resolutions which were adopted were probably written by Donnelly. They set forth the doctrine that the prevailing economic distress was in no sense due to the Sherman Silver Purchase Act, but rather to the

"Crime of 1873", which, in the interest of the creditor class, had outlawed silver, had forced upon gold an unwanted burden, and had raised the value of the dollar to intolerable heights. This doctrine was echoed at the St. Louis Convention. It was also taken up by hundreds of journalists and by thousands of orators.[11] Donelson Caffery of Louisiana in the Senate of the United States on January 30, 1896 about the "Crime of 1873" said:

"The 16 to 1 orators in denouncing the act of 1873, assert that half the money of the country was destroyed, and hold out the idea that our money has been contracted to that extent. In 1872 our population was 40,596,000, and our per capita of money was $18.79. In 1894, after the country had been suffering with gold standard for twenty-one years, our population is 68,275,000, and our per capita of money is $35.44, and we have much better money now than we had then. The adoption of the gold standard as a measure of value did not increase the demand for gold for use to any great extent."[12]

James G. Batterson in the same papers above referred to, said:

"The claim of concealment and fraud which these men set up regarding the passage of that bill, if it proves anything, proves that they were grossly neglectful of what was going on in the Congress where they had seats, and with whose acts they are charged with knowledge and responsibility. If they did not know what the bill contained, it is a shameful confession of neglect of public duty. If they did know, then their present claim is a still more shameful imposition upon the people whom they seek to deceive."[13]

John G. Carlisle, in an address in Boston said that a recent editorial in the Chicago Tribune describing the fall of silver said:

"Those who "demand" the free coinage of silver at the ratio of 16 to 1, or fifty cents to the one hundred cents dollar, assert that the fall in the commercial value of silver was due to "The Crime of 1873", which forbade the coinage of silver dollars when none was being coined, nor had been for many years.

11. John D. Hicks, op. cit., pp. 264, 265, 291, 292, 312 - 314
12. Donelson Caffery, Aldredge on Free Coinage of Silver, p.8
13. James G. Batterson, Silver and Gold as Currency, p. 40

They have nothing to say about the action taken by Germany prior to 1873, when that nation stopped silver coinage and adopted the gold standard. And they never mention the fact of France and the Latin Union following German's example two or three years later.

"They are silent about these limitations in countries numbering 130,000,000 enterprising people, or more than twice the population of this country at the last census. They have not reviled Holland, Scandinavia, and Austria-Hungary for adopting the gold standard - enterprising countries containing nearly 60,000,000 people. They are not abusing Russia, with her 120,000,000 people, for putting her currency on a gold-standard basis. They seem to think that what 300,000,000 Europeans have done cuts no figure in the case of silver, and that the "future of silver" depends solely on that fiat of the American Congress for the 16 to 1 ratio of fifty-cent dollar.

"The chief cause of the immense cheapening of silver since 1875-76 is not legislation, either that of Europe or of America or both taken together. The principal effective cause is overproduction of silver in proportion to the demand for it. The mines have turned out more of that metal than the world needed or was able to use for coinage and other purposes, and as an inevitable consequence the price went down.

"The commercial world has always determined the relative value of the precious metals to suit itself. It has never paid any attention to statutory ratios of any nation, but has exercised its own judgment as to values, just the same as it does about copper, iron, wheat, corn, and cotton. If the production of silver were to stop that metal would gradually become scarcer. The old stock would be consumed, so to speak, and the commercial world, without waiting for a law, would rate it at a higher value every year after a cessation of its extraction from the mines."14

John Sherman, for his share in the "Crime of 1873" was called the "arch fiend". Secretary Carlisle was branded as "an apostate".

Neither the Bland-Allison Act nor the Sherman Purchase Act satisfied the silver mines. They want free coinage at the ratio of 16 to 1. The only reason, according to their minds, for the depreciation of silver was that in 1873 the coinage right and privilege was taken from silver.

14. John G. Carlisle, Silver and Wages, p. 17

"In 1890", so a silver pamphlet proclaimed, "on the strength of a mere rumor that Congress would pass a free coinage act and that Harrison would sign it, silver went in London to $1.21 an ounce, or within eight cents of gold. Had the act passed, sixteen-ounce silver would have been equal to one ounce of gold in ten minutes, and in the Bank of England."

The Silverites said that the two purchase acts were but thinly disguised frauds to conceal the purpose of those who wished to absolutely demonetize silver, to reduce it to the level of a mere commodity and to make this a monometallic gold country.[15]

Nelson Dingley of Maine in his speech before the House of Representatives on February 5, 1896, referring to the ratio, said:

"Mr. Chairman, it is also argued with great confidence that the open mints of France alone maintained the relative value of gold and silver at the ratio of near 15½ to 1 for the first seventy-four years of this century, and therefore that the opening of the mints of the United States alone to free coinage of silver at 16 to 1 would also change the commercial ratio of silver and gold bullion to 16 to 1, notwithstanding it is now 32 to 1.

It is sufficient to say in reply that when France adopted the coinage ratio of 15½ to 1 this was the commercial ratio of silver and gold bullion; that not only France, but every country in Europe maintained substantially the same coinage ratio; that during the first sixty years of this century the annual production of silver never rose above 29,000,000 ounces per annum; and that soon after 1865 the annual production of silver began to rise abnormally, reaching 55,000,000 ounces in 1874, when not only France, but the other countries of the Latin Union, to wit, Belgium, Switzerland, Italy and Greece, which had joined France in opening their mints to silver nine years before, were forced to close them, and have kept them closed against the free coinage of silver ever since.

Surely what France aided by the other countries of the Latin Union, was unable to do in the face of the rise in the annual production of silver from 29,000,000 to 55,000,000 ounces, and a decline of only three cents per ounce in the price of silver, it would be absurd to expect the United States could do single-handed in the face of a rise of the annual

15. John D. Hicks, <u>op. cit.</u>, pp. 314 & 315

production of silver from 55,000,000 ounces in 1874 to 160,000,000 in 1893, and a decline of fifty cents per ounce in its price."16

The debtor classes of the West, mainly farmers, favored a silver dollar, because it would produce a cheaper dollar. They argued that as gold had been appreciating for years until now, its purchasing power was nearly double. Gold had, therefore, proved a failure. Gold was too dear and there was not enough of it. Silver on the other hand, was increasing. If silver was coined it might pull down gold from its height. A double standard could be thus obtained. But, if this did not happen, let the gold be exported as it had proved unsuccessful. These felt that the repeal of the Sherman Act was a calamity, because if it remained the Government would have been soon forced on to a silver basis.[17] One of the arguments of the silver advocates is: "Because silver and commodities have declined together - cause and effect in his mind - therefore, if you advance the price of silver, you will advance the price of commodities."[18]

In a series of papers written for the Traveler's Record, James G. Batterson argues against this statement. He said:

"The claim that free coinage and unlimited tender would make money plenty for every man's use is squarely against the experience of ages and opposed to well-known principles of economic science. If it is true that the price of silver would rise by reason of the unnatural pressure of law and artificial demand, it cannot possibly be true that the price of wheat and cotton would higher be in the same proportion, for Russia, India, Egypt, and the Argentine Republic control the price of wheat and cotton in this country by making the price in Liverpool, and this cannot be prevented by acts of Congress neither by the rise or fall of silver."19

John G. Carlisle, in his Speeches on Free Coinage was

16. Nelson Dingley, Jr., The Treasury Condition, pp. 12 & 13
17. John D. Hicks, op. cit., pp. 315 & 316
18. J. Howard Cowperthwait, Money, Silver and Finance, p. 43
19. James G. Batterson, op. cit., p. 17

against it. He remarked:

"If, therefore, the favorite argument of the advocates of free coinage - that the free coinage of silver at the ratio of 16 to 1 would double the prices of all products - is correct, the wages of the laboring man would purchase under that system only one-half what they purchase now. This would undoubtedly be the case unless wages should also be doubled, which, according to the uniform experience of the past, is a most improbable thing. For more than a quarter of a century the working people of the United States have struggled earnestly and persistently, through their labor organizations and otherwise, to increase their wages to a point which would enable them to live decently and comfortably by expending their earnings for commodities at their present prices, and how long do you think they would have to struggle in the future to raise their wages to a point which would enable them to purchase the same articles when their prices have been doubled?"20

John P. Jones, in his speech before the Senate of the United States on April 24, 1878, said concerning the farmers:

"So much has been said by free-silver orators to mislead farmers into the idea that everything was prosperous with them before 1873 and nothing has been since, that I submit now a paragraph that I have copied from the Report of the Iowa State Agricultural Society for 1873. It is from an address delivered by C. H. Rogers at the Harrison County Fair, and gives a faithful picture of the situation at that time in that mighty State.

'Proud of these aspects and of her progress in practical agriculture, still the condition of the laboring man and farmer is far from what is desirable. They have worked, watched and waited for an adequate reward until weariness has well nigh turned to hopelessness. Farming has been a financial failure for the past three years. Hard toil has opened up fine farms and brought to the bins the products of unexampled harvests, but the sales have hardly paid expenses and bought cheap clothing until the coming harvest. There is no surplus to improve buildings, purchase thoroughbred stock, and furnish the home with any of the luxuries of art and literature.'"21

The Populist felt that money was money not because it had any value of its own but because of the fiat of the Government. He wanted an elastic currency. Senator Allen said:

"We believe it possible so to regulate the issue of money as to make it of approximately the same value at all times. The value of money ought to bear as nearly as possible a fixed

20. John G. Carlisle, The Free Coinage of Silver, pp. 16 & 17
21. John P. Jones, Resumption and the Double Standard, p. 14

relation to the value of commodities. If a man should borrow a thousand dollars on five years' time today, when it would take two bushels of wheat to pay each dollar, it is clear that it ought not to take any more wheat to pay that debt at the time of its maturity, except for the accrued interest."22

James G. Batterson refutes the arguments for silver in the paper referred to before. He said:

"The strong reasons in favor of a single standard are: -

"First. It is one of the great products of the country, and we want to sell it. In this respect it occupies the same position as wheat, corn, cotton, tobacco, and all other products, the surplus of which we are compelled to sell at the market price, whatever it may be. The silver farmer cannot sell his crop in Europe because the markets are overstocked and the price is low, therefore he goes to Congress and asked the government to buy his product and take the risk of holding it. This gives the silver producer and him only, an advantage which no other producer enjoys, and is unfair to every other industry which takes the risk of its own production.

"Second. 'If silver is made the standard measure of all values in this country then the demand for its use as money would be so largely increased that the price would go up immediately to par with gold,' which means an advance of fifty per cent in the price of silver.

"If, that is true, then the cotton planter, and the wheat raiser, would have to pay in their products double price for their dollars, because the government cannot use its power to put the price of wheat and cotton as well as silver up. It will be observed that the plan for a silver standard means also that the silver producer can exchange his surplus product for gold, while all other industries must exchange their surplus products for silver. The silver producer does not care to exchange silver for silver, unless the silver he gets in return is made a legal tender for all amounts - and in that condition he can exchange it for gold.

"It is a great fallacy, however, to suppose that the increased use of silver for currency will materially advance the price unless all other nations adopt the same standard, for it is certain that even a small advance in the price would bring to the United States a sufficient supply from Europe to force it down again.

Free Coinage

Will do no harm unless silver is made a legal-tender for all

amounts; limit the legal-tender to ten dollars and no one will waste breath on free coinage.

Nothing can be permanent which gives any one product an unjust advantage over all other products at government expense. It is purely a question of economics and just trade, and not a question of party politics.

The cry for "cheap money and plenty of it," is a catch phrase, and a bait to the unwary. When business is good, good money abounds. When business is bad, bad money does not make it better. The laborer cannot obtain even bad money for idleness; but when his labor is in demand he has no trouble in getting the best."23

The Main Issue

The Silver Issue, as its popularity increased, became more and more the main issue of the Populist creed. Under the Populist Banner the free silver people gathered. The old party politicians began to devise means for holding their voters. "Bimetallism" was offered as a substitute for free coinage. Some suggested putting more silver into the dollar so to make it equal to the gold dollar. This plan was opposed by the silver miners who wanted the price to go up, and from the debtor farmers who wanted cheap money. International Bimetallism was again raised. A conference was held at Brussels, but failed. Senator Allen said: "This whole talk of international bimetallism is a subterfuge by which the Republican party hopes to deceive the people in 1896."

The Campaign of 1896

The American Bimetallic League continued its efforts, after the election of 1894. It sent lectures over the country and sent petitions to Congress. Free silver bills appeared in

23. James B. Batterson, op. cit., pp. 21 & 22

Congress because of these demands.

In June, 1895, at Memphis, Tennessee, a great convention was held to plan their campaign and to try to get enough Democrats for silver, so that they would get control of the Democratic Party. The southern delegates united with the western to pledge themselves to work within the party fold for the enactment of a free-silver law.

The southern anti-fusionist wanted the conventions before either the Republican or Democratic Parties. A Texas editor wrote: "The sooner we get into line and march upon the enemy, the better will be our chances of scoring a victory." The Populist national committee at their January meeting, decided that after both parties had had theirs would be the better. They thought the gold advocates would rule both and they, by meeting last, would have the "easy task of gathering up all the bolting silverites."[24] July 22nd, was the date chosen.

The Republican convention came first. William McKinley and some others sought to avoid the money issue by stressing tariff. The delegates would not have it. They avoided adopting a gold plank, but the plank adopted was only slightly modified. It read: "We are opposed to the free coinage of silver except by international agreement with the leading commercial nations of the world, which we pledge ourselves to promote, and until such agreement can be obtained the existing gold standard must be preserved." The silver delegate, after this was approved, left the convention.

At the Democratic convention, the first clash between the gold and silver delegates came in the votes in the organization

24. John D. Hicks, op. cit., pp. 318 - 320, 342, 343, and 350

of the convention. It resulted in the silver delegates taking over the control of the convention. The Western and Southern Leaders, knowing the strength of the Populist Party allied the party with the agricultural interests. The next clash was over the platform. The debate began. Senator Hill of New York, Senator Vilas of Wisconsin, and ex-Governor Russell of Massachusetts made speeches in favor of gold.

"Then, to make the closing speech, came Bryan. There is an unforgetable picture by Harry Thurston Peck.

"Until now, there had spoken no man to whom that riotous assembly would listen with respect. But at this moment there appeared upon the platform Mr. William Jennings Bryan, of Nebraska....As he confronted the 20,000 yelling, cursing, shouting men before him, they felt at once that indescribable, magnetic thrill which beasts and men alike experience in the presence of a master. Serene and self-possessed, and with a smile upon his lips, he faced the roaring multitude with a splendid consciousness of power. Before a single word had been uttered by him, the pandemonium sank to an inarticulate murmur, and when he began to speak, even this was hushed to the profoundest silence. A mellow, penetrating voice, that reached, apparently without the slightest effort, to the farthermost recesses of that enormous hall, gave utterance to a brief exordium....The repose and graceful dignity of his manner, the courteous reference to his opponents, and the perfect clearness and simplicity of his language, riveted the attention of every man and woman in the convention hall.... He spoke with the utmost deliberation, so that every word was driven home to each hearer's consciousness, and yet with an ever-increasing force, which found fit expression in the wonderful harmony and power of his voice. His sentences rang out, now with an accent of superb disdain, and now with the stirring challenge of a bugle call....The great hall seemed to rock and sway with the fierce energy of the shout that ascended from 20,000 throats....The leaderless Democracy of the West was leaderless no more. Throughout the latter part of his address, a crash of applause had followed every sentence; but not the tumult was like that of a great sea thundering against the dikes. Twenty thousand men and women went mad with an irresistible enthusiasm. This orator had met their mood to the very full. He had found magic words for the feeling which they had been unable to express. And so he had played at will upon their very heart-strings, until the full tide of their emotion was let loose in one tempestu-

ous roar of passion.

"There was a pause. Then occurred a wild and hysterical uprising; waves of deafening cheers and yells swept from end to end of the building and back again, unceasing in their tumult. Delegates stood on chairs, uncontrollable, frenzied. A Georgia delegate suddenly tore away the State's blue-tipped rod, raised it high aloft, and started to rush toward the Nebraska delegation. Indian Territory raced down to follow him with its stick. Illinois, South Dakota, Missouri, Virginia, Alabama, Kentucky, Ohio, Iowa, Tennessee, Mississippi, Michigan, Utah, Nevada, California followed until thirty-one States were there. A grand procession of State rods and delegates started around the delegates' enclosure. Bryan was hoisted upon the shoulder of his followers and carried with it....It was fully thirty-five minutes before quiet was restored."

Bryan's oration, the celebrated "Cross of Gold" speech, is as follows:

"I would be presumptuous, indeed, to present myself against the distinguished gentlemen to whom you have listened if this were a mere measuring of abilities; but this is not a contest between persons. The humblest citizen in all the land, when clad in the armor of a righteous cause, is stronger than all the hosts of error. I come to speak to you in defense of a cause as holy as the cause of liberty - the cause of humanity.

When this debate is concluded, a motion will be made to lay upon the table the resolution offered in commendation of the administration, and also the resolution offered in condemnation of the administration. We object to bringing this question down to the level of persons. The individual is but an atom; he is born, he acts, he dies; but principles are eternal; and this has been a contest over a principle.

Never before in the history of this country has there been witnessed such a contest as that through which we have just passed. Never before in the history of American politics has a great issue been fought out as this issue has been, by the voters of a great party. On the fourth of March, 1895, a few Democrats, most of them members of Congress, issued an address to the Democrats of the nation, asserting that the money question was the paramount issue of the hour; declaring that a majority of the Democratic party had the right to control the action of the party on this paramount issue; and concluding with the request that the believers in the free coinage of silver in the Democratic party should organize, take charge of, and control the policy of the Democratic party. Three months later, at Memphis, an organization was perfected, and the sil-

ver Democrats went forth openly and courageously proclaiming their belief, and declaring that, if successful, they would crystallize into a platform the declaration which they had made. Then began the conflict. With a zeal approaching the zeal which inspired the crusaders who followed Peter the Hermit, our silver Democrats went forth from victory unto victory until they are now assembled, not to discuss, not to debate, but to enter up the judgment already rendered by the plain people of this country. In this contest brother has been arrayed against brother, father against son. The warmest ties of love, acquaintance and association have been disregarded; old leaders have been case aside when they have refused to give expression to the sentiments of those whom they would lead, and new leaders have sprung up to give direction to this cause of truth. Thus has the contest been waged, and we have assembled here under as binding and solemn instructions as were ever imposed upon representatives of the people.

We do not come as individuals. As individuals we might have been glad to compliment the gentleman from New York (Senator Hill), but we know that the people for whom we speak would never be willing to put him in a position where he could thwart the will of the Democratic party. I say it was not a question of persons; it was a question of principle, and it is not with gladness, my friends, that we find ourselves brought into conflict with those who are not arrayed on the other side.

The gentleman who preceded me (ex-Governor Russell) spoke of the State of Massachusetts; let me assure him that not one present in all this convention entertains the least hostility to the people of the State of Massachusetts, but we stand here representing people who are the equals, before the law, of the greatest citizens in the State of Massachusetts. When you (turning to the gold delegates) come before us and tell us that we are about to disturb your business interests, we reply that you have disturbed our business interests by your course.

We say to you that you have made the definition of a business man too limited in its application. The man who is employed for wages is as much a business man as his employer, the attorney in a country town is as much a business man as the corporation counsel in a great metropolis; the merchant at the cross-roads store is as much a business man as the merchant of New York; the farmer who goes forth in the morning and toils all day - who begins in the spring and toils all summer - and who by the application of brain and muscle to the natural resources of the country creates wealth, is as much a business man as the man who goes upon the board of trade and bets upon the price of grain; the miners who go down a thousand feet into the earth, or climb two thousand feet upon the cliffs, and bring forth from their hiding places the precious metals to be poured into the channels of trade are as much business men as

the few financial magnates who, in a back room, corner the money of the world. We come to speak for this broader class of business men.

Ah, my friends, we say not one word against those who live upon the Atlantic coast, but the hardy pioneers who have braved all the dangers of the wilderness, who have made the desert to blossom as the rose - the pioneers away out there (pointing to the West), who rear their children near to Nature's heart, where they can mingle their voices with the voices of the birds - out there where they have erected schoolhouses for the education of their young, churches where they praise their Creator, and cemeteries where rest the ashes of their dead - these people, we say, are as deserving of the consideration of our party as any people in this country. It is for these that we speak. We do not come as aggressors. Our war is not a war of conquest; we are fighting in the defense of our homes, our families, and posterity. We have petitioned, and our petitions have been scorned; we have entreated, and our entreaties have been disregarded; we have begged, and they have mocked when our calamity came. We beg no longer; we entreat no more; we petition no more. We defy them.

The gentleman from Wisconsin has said that he fears a Robespierre. My friends, in this land of the free you need not fear that a tyrant will spring up from among the people. What we need is an Andrew Jackson to stand, as Jackson stood, against the encroachments of organized wealth.

They tell us that this platform was made to catch votes. We reply to them that changing conditions make new issues; that the principles upon which Democracy rests are as everlasting as the hills, but they must be applied to new conditions as they arise. Conditions have arisen, and we are here to meet these conditions. They tell us that the income tax ought not to be brought in here; that it is a new idea. They criticize us for our criticism of the Supreme Court of the United States. My friends, we have not criticized; we have simply called attention to what you already know. If you want criticisms, read the dissenting opinions of the court. There you will find criticisms. They say that we passed an unconstitutional law: we deny it. The income tax law was not unconstitutional when it was passed; it was not unconstitutional when it went before the Supreme Court for the first time; it did not become unconstitutional until one of the judges changed his mind, and we cannot be expected to know when a judge will change his mind. The income tax is just. It simply intends to put the burdens of government justly upon the backs of the people. I am in favor of an income tax. When I find a man who is not willing to bear his share of the burdens of the government which protects him, I find a man who is unworthy to enjoy the blessings of a government like ours.

They say that we are opposing national bank currency; it is true. If you will read what Thomas Benton said, you will find he said that, in searching history, he could find but one parallel to Andrew Jackson; that was Cicero, who destroyed the conspiracy of Cataline and saved Rome. Benton said that Cicero only did for Rome what Jackson did for us when he destroyed the bank conspiracy and saved America. We say in our platform that we believe that the right to coin and issue money is a function of government. We believe it. We believe that it is a part of sovereignty, and can no more with safety be delegated to private individuals than we could afford to delegate to private individuals the power to make penal statutes or levy taxes. Mr. Jefferson, who was once regarded as good Democratic authority, seems to have differed in opinion from the gentleman who has addrest us on the part of the minority. Those who are opposed to this proposition tell us that the issue of paper money is a function of the bank, and that the Government ought to go out of the banking business. I stand with Jefferson rather than with them, and tell them, as he did, that the issue of money is a function of government, and that the banks ought to go out of the governing business.

They complain about the plank which declares against life tenure in office. They have tried to strain it to mean that which it does not mean. What we oppose by that plank is the life tenure which is being built up in Washington, and which excludes from participation in official benefits the humbler members of society.

Let me call your attention to two or three important things. The gentleman from New York says that he will propose an amendment to the platform providing that the proposed change in our monetary system shall not affect contracts already made. Let me remind you that there is no intention of affecting those contracts which according to present laws are made payable in gold; but if he means to say that we cannot change our monetary system without protecting those who have loaned money before the change was made, I desire to ask him where, in law or in morals, he can find justification for not protecting the debtors when the act of 1873 was passed, if he now insists that we must protect the creditors.

He says he will also propose an amendment which will provide for the suspension of free coinage if we fail to maintain the parity within a year. We reply that when we advocate a policy which we believe will be successful, we are not compelled to raise a doubt as to our own sincerity by suggesting what we shall do if we fail. I ask him, if he would apply his logic to us, why he does not apply it to himself. He says he wants this country to try to secure an international agreement. Why does he not tell us what he is going to do if he fails to secure an international agreement? There is more reason for

him to do that than there is for us to provide against the failure to maintain the parity. Our opponents have tried for twenty years to secure an international agreement, and those are waiting for it most patiently who do not want it at all.

And now, my friends, let me come to the paramount issue. If they ask us why it is that we say more on the money question than we say upon the tariff question, I reply that, if protection has slain its thousands, the gold standard has slain its tens of thousands. If they ask us why we do not embody in our platform all the things that we believe in, we reply that when we have restored the money of the Constitution all other necessary reforms will be possible; but that until this is done there is no other reform that can be accomplished.

Why is it that within three months such a change has come over the country? Three months ago, when it was confidently asserted that those who believe in the gold standard would frame our platform and nominate our candidates, even the advocates of the gold standard did not think that we could elect a President. And they had good reason for their doubt, because there is scarcely a State here to-day asking for the gold standard which is not in the absolute control of the Republican party. But note the change. Mr. McKinley was nominated at St. Louis upon a platform which declared for the maintenance of the gold standard until it can be changed into bimetalism by international agreement. Mr. McKinley was the most popular man among the Republicans, and three months ago everybody in the Republican party prophesied his election. How is it to-day? Why, the man who was once pleased to think that he looked like Napoleon - that man shudders to-day when he remembers that he was nominated on the anniversary of the battle of Waterloo. Not only that, but as he listens he can hear with ever-increasing distinctness the sound of the waves as they beat upon the lonely shores of St. Helena.

Why this change? Ah, my friends, is not the reason for the change evident to any one who will look at the matter? No private character, however pure, no personal popularity, however great, can protect from the avenging wrath of an indignant people a man who will declare that he is in favor of fastening the gold standard upon this country, or who is willing to surrender the right of self-government and place the legislative control of our affairs in the hands of foreign potentates and powers.

We go forth confident that we shall win. Why? Because upon the paramount issue of this campaign there is not a spot of ground upon which the enemy will dare to challenge battle. If they tell us that the gold standard is a good thing, we shall point to their platform and tell them that their platform pledges the party to get rid of the gold standard and sub-

stitute bimetalism. If the gold standard is a good thing, why try to get rid of it? I call your attention to the fact that some of the very people who are in this convention to-day and who tell us that we ought to declare in favor of international bimetalism - thereby declaring that the gold standard is wrong and that the principle of bimetalism is better - these very people four months ago were open and avowed advocates of the gold standard, and were then telling us that we could not legislate two metals together, even with the aid of all the world. If the gold standard is a good thing, we ought to declare in favor of its retention and not in favor of abandoning it; and if the gold standard is a bad thing why should we wait until other nations are willing to help us to let go? Here is the line of battle, and we care not upon which issue they force the fight; we are prepared to meet them on either issue or on both. If they tell us that the gold standard is the standard of civilization, we reply to them that this, the most enlightened of all the nations of the earth, has never declared for a gold standard and that both the great parties this year are declaring against it. If the gold standard is the standard of civilization, why, my friends, should we not have it? If they come to meet us on that issue we can present the history of our nation. More than that; we can tell them that they will search the pages of history in vain to find a single instance where the common people of any land have ever declared themselves in favor of the gold standard. They can find where the holders of fixt investments have declared for a gold standard, but not where the masses have.

Mr. Carlisle said in 1878 that this was a struggle between 'the idle holders of idle capital' and 'the struggling masses, who produce the wealth and pay the taxes of the country'; and, my friends, the question we are to decide is: Upon which side will the Democratic party fight; upon the side of 'the idle holders of idle capital' or upon the side of 'the struggling masses'? That is the question which the party must answer first, and then it must be answered by each individual hereafter. The sympathies of the Democratic party, as shown by the platform, are on the side of the struggling masses who have ever been the foundation of the Democratic party. There are two ideas of government. There are those who believe that, if you will only legislate to make the well-to-do prosperous, their prosperity will leak through on those below. The Democratic idea, however, has been that if you legislate to make the masses prosperous, their prosperity will find its way up through every class which rests upon them.

You come to us and tell us that the great cities are in favor of the gold standard; we reply that the great cities rest upon our broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring up again as if by magic; but destroy our farms and the grass will grow in the

streets of every city in the country.

My friends, we declare that this nation is able to legislate for its own people on every question, without waiting for the aid or consent of any other nation on earth; and upon that issue we expect to carry every State in the Union. I shall not slander the inhabitants of the fair State of Massachusetts nor the inhabitants of the State of New York by saying that, when they are confronted with the proposition, they will declare that this nation is not able to attend to its own business. It is the issue of 1776 over again. Our ancestors, when but three millions in number, had the courage to declare their political independence of every other nation; shall we, their descendants, when we have grown to seventy millions, declare that we are less independent than our forefathers? No, my friends, that will never be the verdict of our people. Therefore, we care not upon what lines the battle is fought. If they say bimetalism is good, but that we cannot have it until other nations help us, we reply that, instead of having a gold standard because England has, we will restore bimetalism, and then let England have bimetalism because the United States has it. If they dare to come out in the open field and defend the gold standard as a good thing, we will fight them to the uttermost. Having behind us the producing masses of this nation and the world, supported by the commercial interests, the laboring interests, and the toilers everywhere, we will answer their demand for a gold standard by saying to them: You shall not press down upon the brow of labor this crown of thorns, you shall not crucify mankind upon a cross of gold."

The silver platform was adopted by a vote of 2 to 1. It demanded the free and unlimited coinage of both silver and gold at the existing legal ratio of 16 to 1 without waiting for the aid or consent of any nation.[25]

The Democrats chose William Jennings Bryan of Nebraska for President, and Arthur M. Sewall of Maine, for Vice-President.[26]

Mr. Bryan, on the day of his nomination, sent the following telegram to the New York World:

"Chicago, July 10

"To the Editor of the World:

"The restoration of silver to its ancient place by the side of gold will, in my judgment, restore the parity,

25. Harold R. Bruce, <u>op. cit.</u>, pp. 98 & 99
26. John D. Hicks, <u>op. cit.</u>, p. 362

between both kinds of money and thus permit a general return of prosperity.

"The World, which did such effective work in behalf of an income tax, will find a still larger field of usefulness in supporting the gold and silver coinage of the Constitution.

"W. J. Bryan."27

On July 23rd, the Free Silver Convention held in St. Louis endorsed Bryan's nomination. Their platform for 1896 was for unrestricted coinage, and demanded the payment of all coin obligations of the United States in either gold or silver coin at the option of the government.28 The Democrats urged the Populists that there be only one silver candidate. The Populists had always professed that the principle should be placed ahead of personal or party advantage.

Compromises were proposed and refused at the Populist Convention. Sewall became the stumbling block. He was a national banker, director of a railroad, head of one Trust and part owner in others, an easterner, and a man of wealth. All the things that the Populists opposed, he was. Butler and others urged the Democrats to drop Sewall. Jones, the delegate of the Democrats refused to consider it.

The Populists decided to elect the Vice-President first. With a Populist candidate actually named, probably the Democrats could yet be persuaded to withdraw Sewall and accept the Populist candidate. The Populist could in this way preserve their own organization and would be in less danger of being swallowed up by the Democrats.

When Jones learnt that the Populists were going to elect

27. Robert S. Taylor, The Silver Question, p. 16
28. Henry W. Peabody, Address in Opposition to Bimetallism, p. 5

their Vice-President first, he telegraphed to Bryan, "Populists nominate Vice-President first. If not Sewall, what shall we do? I favor your declination in that case. Answer quick." Bryan promptly replied: "I entirely agree with you. Withdraw my name if Sewall is not nominated."

Watson, a man from Georgia, was elected as a candidate for Vice-President. Bryan was elected as a candidate for President. Bryan never accepted or officially rejected the Populist nomination.

The Democrats, under Bryan's leadership gave the country the most spectacular campaign up to that time. Bryan himself traveled over 13,000 miles, visited two-thirds of the States, and made during fourteen weeks no less than four hundred speeches.

The whole campaign was marked by an earnest study of the money question. Professor Woodburn of Indiana University said that: "On the streets, in the school house meeting, in the debating club, wherever several are gathered together, the money question has been seriously discussed. Voters have sought anxiously to know the truth. Men who have never thought about the money question before have given it their earnest attention." Professor Macy of Grinnel noted the same: "intense and unusual interest in the debate. Men and women sat for hours listening to a presentation of facts and statistics.... Whenever men meet in shop or by the way they engage in financial discussion."

Tons of literature was given out, much of which was carefully read. "Coin's Financial School," by William H. Harvey, first published in 1894 was the most popular book. It was the great silver classic. Extracts were reprinted by newspapers and thus extended the range of the book. The most successful

imitation was Ignatius Donnelly's, "The American People's Money", published in 1895.[29]

These books were, of course, refuted by the gold advocates. They published such books as, "Silver or Gold, Bug's Financial Kindergarten" by A Mining Engineer published in 1896; "Honest Money or Coin's Fallacies Exposed" by Stanley Waterloo published in 1895; "Real Bimetallism or True Coin versus False Coin, A lesson from "Coin's Financial School" by Everett P. Wheeler published in 1895; and "The Official Book. Answer to "Coin's Financial School" by Stanley Wood, published in 1895.

The National Sound Money League was under the leadership of such men as Henry Willard, J. Sterling Morton, John K. Cowen, M. E. Ingalls, George Foster Peabody, Horace White, J. Kennedy Tod, H. P. Robinson, John B. Jackson, James L. Blair, Louis R. Ehrich, E. V. Smalley, A. B. Hepburn and others. They published in Chicago, a paper known as "Sound Money". "The Honest Dollar", a Broadside was also published. Another Broadside was published in Boston by the Silverites. It was called "Silver and Gold."

These were given free and contained as much of the data, speeches, and newspaper articles that had appeared on their subject, as the editors could collect.[30]

The Results of the Election

The election results were a great disappointment. Bryan's vote in the South and West was very good, but even so, he lost

29. John D. Hicks, <u>op. cit</u>., pp. 340, 359, 362 - 365, 369, 373, & 374
30. A. Barton Hepburn, <u>History of Coinage and Currency in the United States</u>, pp. 380 & 381

some of these States. The Populists had given up everything for a joint campaign and had lost. Many members had voted with the Democrats. The Democrats gave it out that they had adopted the Populists Principles, so these people, stayed with the Democrats.

They blamed Butler, Bryan, the Democrats and lastly themselves. The leaders knew that the Populist Party was done.

The anti-fusionists tried to reorganize the group. At the convention they gave up free silver in favor of legal tender money.[31]

One Reason for Downfall of Silver

While Bryan was carrying on his silver campaign, nature was at work destroying his best arguments. The production of gold which for nearly thirty years had been slight, began to increase. The cyanide process, had been discovered in 1890. It made possible the extraction of gold from the poorest ores and caused more gold to be extracted from the richer ores. Beside this, new fields were also opened up, in Australia, South Africa and in the Klondike.[32]

In the cyanide process, the ores were finely crushed, concentrated, were bleached in vats, with a dilute solution of potassium cyanide, containing 0.05 to 0.3 percent of potassium cyanide, or sodium cyanide. The crushed ore remained in this solution for from twelve to twenty-four hours dissolving the gold. The cyanide solution was then run off into zinc precipitating boxes. The gold precipitated by clean

31. John D. Hicks, op. cit., pp. 375, 379 & 380
32. Ibid, pp. 38 & 39

zinc shavings or by electrolysis. About one and one-half grains of gold per ton was left in the solution.

This greater abundance of gold helped the debtor class to pay their debts. In the early 1900's, the causes of discontent being removed, silver was a dead issue.[33]

On January 6, 1896, a popular loan was started. The Government asked for bids on the thirty-year four percent bonds to the extent of $100,000,000. Gold coin was receivable in payment. The bids were open for thirty days. Bonds to the extent of $568,269,000 worth were demanded. Nearly 4,700 separate bids were made. The prices ranged upward to 119.32. The bonds were given to the highest bidder, bringing in $111, 378,836 in gold.[34]

The exports of gold continued in large volume during January and July, 1896. After this, imports exceeded exports. The Treasury was drawn on in excess of the exports. This continued even when the exports stopped. The people feared the election of Bryan and so they hoarded gold. Nearly $50,000,000 of gold was taken from the Treasury because of this. The gold reserve was risen to $129,000,000 in March, fell to less than $101,000,000 in August. After the election of McKinley, the gold reserve increased.

The average price of silver was below sixty-three and one-half cents an ounce in 1894, went up to sixty-seven and one-half cents in 1896. After the election, it started downward again.[35]

33. Marh Sullivan, <u>Our Times</u>, p. 299
34. James G. Batterson, <u>Gold and Silver as Currency</u>, p. 213
35. A. Barton Hepburn, <u>op. cit.</u>, p. 389

CHAPTER XIII

THE GOLD STANDARD

Gold Standard Proposed

Many of the gold standard advocates thought that McKinley would use his influence to obtain legislation adopting the gold standard. The very large vote cast for Bryan was evidence of the strength of the Silverites. This the Republican leaders knew and feared.

McKinley made one more try to secure an international agreement, because in England and Europe many discussions were being held on enlarging the use of silver. Senator Wolcott of Colorado, ex-Vice President Adlai Stevenson and General Charles J. Paine were sent as commissioners. The mission was a complete failure.

Lyman J. Gage, the Secretary of the Treasury, submitted to Congress in December 1897, a complete plan for putting the country on a gold basis. In general the plan was to replace the legal tender notes with national bank notes; increase the gold reserve to $125,000,000; establish a separate bureau for the Treasury; notes once redeemed in gold not to be reissued except for gold; $200,000,000 notes to be placed in reserve fund and thus impounded in the Treasury as soon as practicable; refunding of the debt into two and one-half per cent bonds; permitting banks to deposit either bonds or government currency to fifty per cent of their capital and receive circulating notes to the par thereof, notes issued on bonds subject

to a tax of one-half per cent annually, those issued on currency free from tax; the banks so depositing bonds or currency to be permitted to issue circulation in excess of much deposits equal to twenty-five per cent of their capital, to be secured by first lien upon assets and by a safety fund accumulated by means of a two per cent annual tax upon such additional circulation; the minimum capital of banks to be $25,000 and no bank notes under ten dollars to be issued.

President McKinley recommended its careful consideration by Congress. He only enclosed part of the plan.

The business interests under the leadership of Mr. Hanna, called a convention at Indianapolis. Leslie M. Shaw, Governor of Iowa, with others, addressed the convention. They created a commission. It included George F. Edmunds, as chairman, Charles S. Fairchild and J. Laurence Laughlin, among its members. They prepare a report of six hundred papers giving a proposed law for currency and coinage reform. Their recommendations included the following: but, this was not to have any effect on the legal tender of silver, although the gold dollar was to be the standard of value and no more silver dollars were to be coined; and there were to be no more silver certificates above five dollars issued.

A bill embodying all the provisions was introduced in Congress, but no action was taken on it.

Under the part of the Law of 1890 which had not been repealed, the Treasury continued to coin silver dollars as

"needed to redeem the Treasury Notes." As soon as these notes were redeemed they were cancelled. When the dollar returned, silver certificates were issued.

The Goldites presented to Congress a proposition to redeem silver dollars in gold. The silver leaders, aroused, repelled it. The Senate passed against it, the House for it. All of this friction encouraged Bryan and his friends to hope for success at the next election. The coming of the Spanish - American War in 1898 - united many of the people with the administration. The war brought other items of interest and so drove silver out of the front ranks.

Taxes were increased and a loan of $200,000,000 in three per cent bonds was placed at par.[1] The Act authorizing this was known as the War Revenue Act of June 13, 1898, and it contained a section that authorized and directed the Secretary of the Treasury to coin into standard silver dollars, as rapidly as the public interest might require, the silver bullion at that time in the Treasury at the rate of not less than $1,500,000 per month. Under this Act, there were coined up to March 1, 1899, 11,296,335 silver dollars.[2] The silver majority in the Senate were barely kept from forcing through a free silver amendment to this act.[3]

There were in the Treasury on September 30, 1899, 405,197,504 silver dollars upon which silver certificates were issued. There were in circulation only 85,111,110 silver dollars, $5,023,285 of which were in the Treasury not represent-

1. A. Barton Hepburn, History of Coinage and Currency in the United States, pp. 383-401
2. David K. Watson, History of American Coinage, p. 159
3. A. Barton Hepburn, op. cit., p. 401

ed by certificates. This shows that there were only 80,167,825 silver dollars in circulation on September 30, 1899.[4]

Gold Standard Adopted

In December, 1899, a Republican caucus in the House proposed a bill somewhat like that proposed by the Indianapolis conference. This bill was passed in January 1900, by a majority of fifty. A separate measure which differed in many ways was passed by the Senate. The two bills went to conference. An agreement was reached early in March. On March 14, 1900, this bill was passed by Congress and signed by President McKinley.[5]

The Act was called "An Act for the purposes of defining and fixing the Standards of Value, to maintain the Parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes." The following sections are taken from the Act.

"Be it enacted by the Senate and House of Representatives of America in Congress assembled, That the dollar consisting of twenty-five and eight tenths grains of gold nine tenths fine, as established by section 3511 of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

"Section 3. That nothing contained in this Act shall be construed to affect the legal tender quality as now provided by law of the silver dollar, or any and all other money coined or issued by the United States.

"Section 8. That the Secretary of the Treasury is hereby authorized to use, at his discretion, any silver bullion in the Treasury of the United States purchased under the Act of July 14, 1890, for coinage into such denominations of sub-

4. Jesse Overstreet, <u>Analysis of the Bill to "Define and Fix the Standard of Value</u>, etc., p. 10
5. A. Barton Hepburn, <u>op. cit.</u>, p. 402

sidiary silver coin as may be necessary to meet the public requirements for such coin: Provided, That the amount of subsidiary silver coin outstanding shall not at any time, exceed in the aggregate one hundred million dollars. Whenever any silver bullion purchased under the Act of July 14, 1890, shall be used in the coinage of subsidiary silver coin, an amount of Treasury notes issued under said Act equal to the cost of the bullion contained in such coin shall be canceled and not reissued."6

The opposition began in 1899. The Democratic-Populist Party of Nebraska met five days after the passage of this Act in the House. Under the leadership of Bryan, it declared for free and unlimited coinage of silver and the substitution of greenbacks for national bank notes. In many other States, similar declarations were adopted.

In the Presidential Campaign of 1900, the contest was upon the standard of values and opposition to bank notes currency. All the former arguments for an increased money supply to come from the remonetization of silver, were used again; namely, the oppresive effects of the significance of the single gold standard, and the inadequacy of gold supply and others. These had little effect on their hearers, because the country was prosperous.

Bryan was renominated by the Populist Party. He insisted on making the silver question the main issue. Bryan was also renominated by the Democrats. The Democratic Party Platform emphasized imperialism. Bryan, therefore, relaxed his free silver demands on the ground that the discovery of gold in Alaska had produced an abundant supply of money.

The Republicans renominated McKinley, declared for the

6. United States Statutes at Large, March 14, 1900, Sections 1, 3 and 8

gold standard and against free coinage of silver. McKinley was reelected by a largely increased majority. The country felt, that McKinley's reelection and signing the Act, that our currency and our standard of values were safe and that any further legislation had better be deferred until it had been demonstrated by experiences as needed.

The currency in 1909 had reached twenty-eight dollars per capita and was still growing. A large part of this was in gold. Bank notes had also increased, but silver showed only a slight increase arising from the seigniorage on the coinage.

Leslie M. Shaw, the Secretary of the Treasury, in his report of 1902 recommended among others, that provision by law be made for the exchange of gold for silver dollars, and the use of the silver bullion on hand for subsidiary coinage.

Philippine Island Decree

The gold standard with silver coinage on government account was decreed by the Act of Congress of March 2, 1903, for the Philippine Islands.[7]

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the unit of value in the Philippine Islands shall be the gold peso consisting of twelve and nine-tenths grains of gold, nine-tenths fine, said gold peso to become the unit of value when the government of the Philippine Islands shall have coined and ready for, or in, circulation not less than five million of the silver pesos hereinafter provided for in this Act, and the gold coins of the United States at the rate of one dollar for two pesos hereinafter authorized to be coined shall be legal tender for all debts, public and private, in the Philippine Islands.

"Section 2. That in addition to the coinage authorized for the use in the Philippine Islands by the Act of July first,

7. A. Barton Hepburn, <u>op. cit</u>., pp. 402-409

nineteen hundred and two, entitled "An Act temporarily to provide for the administration of the affairs of civil government in the Philipine Islands, and for other purposes," the government of the Philippine Islands is authorized to coin to an amount not exceeding seventy five million pesos, for use in said islands, a silver coin of the denomination of one peso and of the weight of four hundred and sixteen grains, and the standard of said silver coins shall be such that of one thousand parts, by weight, nine hundred shall be of pure metal and one hundred of alloy, and the alloy shall be of copper."[8]

Mexico, because she produces and exports a great deal of silver, began negotiations for an international agreement, between the countries having colonial possessions that use silver, to stop its further depreciation. China, the principal silver-using country at the time, joined Mexico. Both asked the United States to join. The united members forming the commission of the United States were Messrs. H. H. Hanna, C. A. Conant and J. W. Jenks. They went abroad and conferred with the European nations, but it was a failure.[9]

A large and increasing demand for subsidiary silver coins caused the government to resume the purchase of silver on December 6, 1906. The reason for this purchase was a lowering of the price three and one-half cents an ounce, lower than it was four weeks ago and the need of material to make the coinage from.[10]

8. United States Statutes at Large, March 2, 1903, Sections 1 and 2

9. New York Daily Tribune (December 7, 1906) Volume LXVI, Column 2, p. 9

10. A. Barton Hepburn, op. cit., p. 409
Government resumes Silver purchase, New York Daily Tribune, (December 7, 1906) Volume LXVI, Column 2

War Measures

An agreement was made between the United States and Great Britain on November 14, 1917, to use more silver as coin. The two governments were to buy, during the coming year, at least 100,000,000 ounces of bullion, of which 60,000,000 was for the United States, while 40,000,000 was for Great Britain.[11]

In 1918, the British Government appealed to the United States to help her by selling her some of the silver stored in the Treasury for the redemption of the silver certificates. She needed this money immediately, to prevent disturbance in India.[12] The United States granted this request by passing the act known as the "Pittman Act." It is called "An Act to conserve the gold supply of the United States; to permit the settlement in silver of trade balances adverse to the United States, to provide silver for subsidiary coinage and for commercial use; to assist foreign governments at war with the enemies of the United States; and for the above purposes to stabilize the price and encourage the production of silver. The Act provides:

"Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized from time to time to melt or break up and to sell as bullion not in excess of three hundred and fifty million standard silver dollars now or hereafter held in the Treasury of the United States. Any silver certificates which may be outstanding against such standard silver dollars so melted or broken up shall be retired at the rate of one dollar face amount of such certificates for each standard silver dollar so melted or broken up. Sales of such bullion shall be made at such

11. New York Times (November 15, 1917) Volume LXVII, Columns 6 & 7, p. 2
12. Neil Carothers, A Senate Racket, No. American Review, January 1932, Volume CCXXXIII, p. 4

prices not less than one dollar per ounce of silver one thousand fine and upon such terms as shall be established from time to time by the Secretary of the Treasury.

"Section 2. That upon every such sale of bullion from time to time the Secretary of the Treasury shall immediately direct the Director of the Mint to purchase in the United States, of the product of mines situated in the United States and of reduction works so located, an amount of silver equal to 371.25 grains of pure silver in respect of every standard silver dollar so melted or broken up and sold as bullion. Such purchases shall be made in accordance with the then existing regulations of the Mint and at the fixed price of one dollar per ounce of silver one thousand fine, delivered at the option of the Director of the Mint at New York, Philadelphia, Denver, or San Francisco. Such silver so purchased may be resold for any of the purposes hereinafter specified in section three of this Act, under rules and regulations to be established by the Secretary of the Treasury, and any excess of such silver so purchased over and above and within the requirements for such purposes, shall be coined into standard silver dollars or held for the purpose of such other coinage, and silver certificates shall be issued to the amount of such coinage. The net amount of silver so purchased, after making allowance for all resales, shall not exceed at any one time the amount needed to coin an aggregate number of standard silver dollars equal to the aggregate number of standard silver dollars theretofore melted or broken up and sold as bullion under the provisions of this Act, but such purchases of silver shall continue until the net amount of silver so purchased, after making allowance for all resales, shall be sufficient to coin therefrom an aggregate number of standard silver dollars equal to the aggregate number of standard silver dollars theretofore so melted or broken up and sold as bullion.

"Section 3. That sales of silver bullion under authority of this Act may be made for the purpose of conserving the existing stock of gold in the United States, of facilitating the settlement in silver of trade balances adverse to the United States of providing silver for subsidiary coinage and for commercial use, and of assisting foreign governments at war with the enemies of the United States. The allocation of any silver to the Director of the Mint for subsidiary coinage shall, for the purposes of this Act, be regarded as a sale or resale.

"Section 4. That the Secretary of the Treasury is authorized, from any moneys in the Treasury not otherwise appropriated, to reimburse the Treasurer of the United States for the difference between the nominal or face value of all standard silver dollars so melted or broken up and the value of the silver bullion, at one dollar per ounce of silver one thousand fine, resulting from the melting or breaking up of such stand-

ard silver dollars.

"Section 5. That in order to prevent contraction of the currency, the Federal Reserve Banks may be either permitted or required by the Federal Reserve Board, at the request of the Secretary of the Treasury, to issue Federal reserve bank notes, in any denominations (including denominations of one dollar and two dollars) authorized by the Federal Reserve Board, in an aggregate amount not exceeding the amount of standard silver dollars melted or broken up and sold as bullion under authority of this Act, upon deposit as provided by law with the Treasurer of the United States as security therefor, of United States one-year gold notes. The Secretary of the Treasury may, at his option, extend the time of payment of any maturing United States certificates of indebtedness deposited as security for such Federal reserve bank notes for any period not exceeding one year at any one extension and may, at his option, pay such certificates of indebtedness prior to maturity, whether or not so extended. The deposit of United States certificates of indebtedness by Federal Reserve Banks as security for Federal Reserve bank notes under authority of this Act shall be deemed to constitute an agreement on the part of the Federal reserve bank making such deposit that the Secretary of the Treasury may so extend the time of such certificates of indebtedness beyond the original maturity date or beyond any maturity date to which such certificates of indebtedness may have been extended, and that the Secretary of the Treasury, may pay such certificates in advance of maturity, whether or not so extended.

"Section 6. That as and when standard silver dollars shall be coined out of bullion purchased under authority of this Act, the Federal reserve banks shall be required by the Federal Reserve Board to retire Federal reserve notes issued under authority of section five of this Act, if then outstanding, in an amount equal to the amount of standard silver dollars so coined, and the Secretary of the Treasury shall pay off and cancel any United States certificates of indebtedness deposited as security for Federal reserve bank notes so retired.

"Section 7. That the tax on any Federal reserve bank notes issued under authority of this Act, secured by the deposit of United States certificates of indebtedness or United States one-year gold notes, shall be so adjusted that the net return on such certificates of indebtedness, or such one-year gold notes, calculated on the face thereof, shall be equal to the net return on United States two per cent bonds, used to secure Federal reserve bank notes, after deducting the amount of the tax upon such Federal reserve bank notes so secured.

"Section 8. That except as herein provided, Federal reserve bank notes issued under authority of this Act, shall be sub-

ject to all existing provisions of law relating to Federal reserve bank notes.

"Section 9. That the provisions of Title VII of an Act approved June 15, 1917, entitled "An Act to punish acts of interference with the foreign relations, the neutrality, and the foreign commerce of the United States, to punish espoinage, and better to enforce the criminal laws of the United States, and for other purposes," and the powers conferred upon the President by subsection (b) of section five of an Act approved October 6, 1917, known as the "Trading with the Enemy Act," shall, in so far as applicable to the exportation from or shipment from or taking out of the United States of silver coin or silver bullion, continue until the net amount of silver required by section two of this Act shall have been purchased as therein provided.[13]
Approved, April 23, 1918.

From the United States Treasury at Washington and the Sub-Treasury at New Orleans, guarded shipments of silver dollars came to Philadelphia to be melted down. These were sent in bags containing one thousand each. More than 265,000,000 silver dollars were shipped. The silver on being melted was molded into bricks. Each brick weighed about sixty-two pounds and was worth $1,000. The bricks were placed in the special trains. Each consisted of five cars. In these cars the bricks were piled. Each train carried between $5,000,000 and $10,000,000. In each car were two guards, armed with automatic pistols at their hips, and a sawed-off shotgun in their laps. There were eighteen of these trains. All went from Philadelphia to San Francisco, where the silver was transferred to the ship for India. The last shipment was made on April 23, 1919. Handy and Harmon handled these shipments.[14]

The price of silver rose rapidly from 1903 to 1920. This was caused by the demands of India and China, and also due to

13. United States Statutes at Large, April 23, 1918, Sections 1 to 9
14. Tells of Silver Trains Rushed Under Guard, New York Times, (May 22, 1919) Volume LXVIII, Column 3, p. 3

the World War;[15] and by the United States government's need of her gold as a bank reserve, to pay for war munitions and supplies, and to pay her soldiers in foreign countries.[16]

Results of War

After the war the price of silver rapidly fell. Holland reduced the silver content of her subsidiary coins. In 1920 Great Britain followed. Australia, New Zealand, most of Europe and South America, a little later, did the same. In 1926, Belgium abolished all silver coins. In the next two years Poland, Italy and France demonetized their silver coins. The result was that 225,000,000 ounces of silver was thrown upon the market. By December 1931, the price was less than thirty cents an ounce, while in 1926 it was sixty-three cents, and in 1919, one dollar and twelve cents.

India aided this along by adopting the Gold Bullion standard and the mines helped through producing the other minerals to which silver is a by-product. The United States did nothing to push the silver price down, although Representative McFadden tried to, by introducing a bill in Congress to lower the subsidiary standard from ninety per cent to eighty per cent of fine silver.[17]

China, the only silver-using nation, thus found herself in difficulties. In the midst of this, the Kimmerer Commission

15. J. Laurence Laughlin, Bimetallism Again, American Review of Reviews, (May 1, 1916) Volume 53, p. 624
16. J. Laurence Laughlin, The Amazing Adventures of Silver, American Review of Reviews, (November 1929), Volume 74, p. 511
17. Why Gold is sinking and Silver is soaring, Current Opinion (April 1920) Volume 68, p. 4

went to China. They recommended, after having studied the situation, that China give up the silver standard. This China did not do.

President Hoover, after being hard pressed by the people who urged that something be done for silver, at last, announced that he would not oppose American participation in an unofficial conference sponsored by some other nation. No other nation attempted to do so, therefore, nothing was done. The people who urged this, feared that the Indian Treasury might put her 30,000,000 ounces of silver which were still unsold on the market, and so lower the price of silver farther. They thought that through an international agreement, England might agree to hold this reserve in abeyance.[18]

18. Neil Carothers, op. cit., p. 4

CHAPTER XIV

PRESENT DAY SITUATION IN REGARD TO SILVER

The Proposed Plans

The agitation concerning silver continued, because the price continued to drop. The following are a few of the plans suggested.

A sub-committee of the Senate Committee on Foreign Relations recommended that a loan of silver be made to help bring back China. The government of China, a little later, let Congress know that she had too much silver.

Captain Victor Alexander Cazalet, a Conservative, suggested in the House of Commons that the European countries use silver in payment of their war debts to the United States. The originator of this idea was Professor William Dampier-Whetham.

F. H. Bronnell, the chairman of the American Smelting and Refining Company, advised the United States, Great Britain, France and other interested nations to agree for the next three years, that they would sell no silver below a stated price, that they would purchase the silver required for subsidiary coinage whenever the price falls lower than a predetermined figure and that they would be permitted to sell silver whenever it rises above an agreed figure.

President Ortez Rulia of Mexico, made the suggestion a year ago that a conference of nations be held. The Interna-

tional Chamber of Commerce in its meeting at Washington, D. C., expressed approval of this plan. President Hoover did not seem eager to take the necessary steps, but since the action of the Chamber, William R. Castle, Jr., Acting Secretary of State, said that the United States Government would participate, if some other nation began it. China undertook to do this, but failed.[1]

Franklin D. Roosevelt, the President of the United States, declared the policy of his administration in the following words:

"The Administration has the definite objective of raising the commodity price to such an extent that those who have borrowed money will, on the average, be able to repay that money in the same kind of dollar which they borrowed."[2]

The National Cooperative Council, basing as members the large farm cooperatives, sent the following to President Roosevelt.

"We earnestly solicit your attention to the necessity for bringing about a rise in commodity prices by means of a change in the monetary system. The only alternative is continued cruel deflation, involving continued bankruptcies, foreclosures, and human distress. However, we emphasize the necessity for sound control of inflation. However, we will ask that the value of the dollar be regulated in such a manner as to establish and maintain a reasonably steady all-commodity price index at approximately 1921-30 level. Such regulation, we believe, should be under the control of a permanent non-partisan board, of a permanent non-partisan board of representatives of agriculture, labor, and industry - whomsoever money system should serve."

Professional economists gave opinions in favor of "reflation." They said that the country should control its

1. L. B. N. Gnaedinger, "Silver Shackles," Outlook and Independent, CLVIII (June 3, 1931), pp. 139
2. Benson Y. Landis, The Third American Review, p. 217

credit and monetary system so as to bring about a rise in commodity prices and that it should manage its currency and credit so as to achieve greater economic stability.[3]

G. Bowie Chipman's plan was:

"It therefore seems to me that the dollar should be stabilized, not to have an abnormal purchasing power in times of depression or a lessening purchasing power in times of prosperity, but should remain at a stabled value; and I feel that the whole world is asking this question, whether it applies to our money or to the money of any other nation, because the same condition exists the world over."

He said that the only way to accomplish the above was by adding silver to the money basis.[4]

The concurrent resolution of the Legislature of the State of South Carolina was referred to the Committee on Finance of the Senate of the United States on January 17, 1933. A portion of it is quoted:

"Section 7. Whereas it is believed that legal provisions for the remonetization of silver would rehabilitate buying power everywhere, create a world market for our crops and the output of our factories, and bring about a rise in the price of commodities, thus enabling all debtors to meet their obligations: Now, therefore, be it Resolved by the Senate (the House of Representatives concurring) That the General Assembly of South Carolina does hereby petition the Congress of the United States, now in session, to enact the necessary legislation for the remonetization of silver, and for the removal of the excessive rates of tariff which stand as barriers to the legitimate trade of this nation with the nations of the world."[5]

A resolution respecting bimetallic currency, being adopted by the Senate of the State of Nebraska, was referred to the Committee on Finance of the Senate on January 19, 1933. It was:

"Whereas there is pending in the Congress of the United States a bill to establish a bimetallic system of currency, em-

3. Benson Y. Landis, Ibid., p. 24
4. Congressional Record, Senate, January 3, 1933, p. 1170
5. Congressional Record, Senate, January 17, 1933, pp. 1931 & 1932

ploying gold and silver, to fix the relative value of gold and silver, and to provide for the free coinage of silver, and for other purposes; and

"Whereas it is the sense of this State that the needs of the citizens of Nebraska and of the United States will be best served under present economic conditions by some sound system of inflating currency: Now, therefore, be it Resolved by the Senate of the State of Nebraska in the forty-ninth regular session assembled, That we hereby memorialize the petition the United States House of Representatives and the United States Senate to consider favorably the Wheeler Bill (S. 248) now referred to and in the hands of the Committee on Finance of the United States Senate, to the end that relief may be afforded to those States of the Union in which silver is mined in order that the price of silver may be normally stabilized; that the aspects of the silver question be dealt with in so far as legislation is concerned as a necessary commodity as well as a monetary problem."6

The Silver Bloc in Congress

Senator Wheeler's bill for bi-metallism was defeated by a large majority. The feeling for some sort of inflation grew in Congress.[7] Soon at least a half a dozen different methods of inflation were being discussed.[8] Early in April a test vote on the remonetization of silver under the ratio of 16 to 1 was taken. The Ayes won by a great majority.

Gold Standard Suspended

The break-down came because the whole credit system was not able to meet the demands of its creditors and because the people wished to turn all their property into gold. Many of the banks were closed, and insurance companies became insolvent.

On March 6th, 1933, by order of the President, all the banks were closed. This Act took the United States currency

6. Congressional Record, Senate, January 19, 1933, p. 2067
7. Ewin Eugene Lewis, "The Rubber Dollar-Inflation," The New Deal, pp. 32
8. Bensom Y. Landis, Ibid., p. 26

off the gold standard, unofficially. When the banks reopened, the dollar of the United States was kept at its par value in the foreign exchange, although persons in this country could not withdraw gold. This kept prices up to gold standard prices.[9]

On March 9, 1933, "An Act to provide relief in the existing national emergency in banking, and for other purposes," was passed. The portion that relates the President's powers in regard to currency is quoted:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress hereby declares that a serious emergency exists and that it is imperatively necessary speedily to put into effect remedies of uniform national application.

Title I

"Section 1. The actions, regulations, rules, licenses, orders and proclamations heretofore or hereafter taken, promulgated, made, or issued by the President of the United States of the Secretary of the Treasury since March 4, 1933, pursuant to the authority conferred by subdivision (b) of section five of the Act of October 6, 1917, as amended, are hereby approved and confirmed.

"Section 2. Subdivision (b) of section five of the Act of October 6, 1917, (40 Stat. L. 411), as amended, is hereby amended to read as follows:

"(b) During time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange, transfers of credit between or payments by banking institutions as defined by the President, and export, hoarding, melting, or ear-marking of gold or silver coins or bullion or currency, by any person within the United States or any place subject to the jurisdiction thereof; and the President may require any person engaged in any transaction referred to in this subdivision to furnish under oath, complete information relative thereto, including the production of any books of account, contracts, letters or other papers, in connection therewith in the custody or control of such person, either before or after such transaction is completed. Whoever wilfully violates any of the provisions

9. Ewin Eugene Lewis, op. cit., p.34,

of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than $10,000, or, if a natural person may be imprisoned for not more than ten years, or both; and any officer, director or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.[10]

On April 5, 1933, President Roosevelt issued the following order:

"All individuals, partnerships, associations and corporations holding in excess of one hundred dollars worth of gold coin, gold bullion and gold certificates acquired before April 28, 1933, should prior to May 1, 1933, deliver all such gold.... to the Federal Reserve Banks or to the member banks in the Federal Reserve System; and that other forms of coins or currency issued under the laws of the United States shall be paid in exchange; and that said member banks should deliver such gold coin....to the Federal Reserve Bank of which they are a member."[11]

President Roosevelt ordered on April 19th, 1933, that no more gold to be exported. Secretary Woodin announced that same afternoon, that the United States was off the gold standard.[12] The attempt to keep the dollar of the United States at par on the foreign exchange was thus given up. The dollar immediately dropped in value, and prices rose.[13]

On May 12, 1933, Congress passed "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes." The portions of the Act that grant the President authority to inflate the currency follows:

The President

"Section 42 (2) By proclamation to fix the weight of the gold dollar in grains nine tenths fine and also to fix the weight

10. United States Statutes at Large, March 9, 1933, Title I, Section 1,
11. Rev. Charles E. Coughlin, The New Deal in Money, pp. 78 & 79
12. Benson Y. Landis, op. cit., p. 26
13. George F. Warren, "The New Dollar," Forum, XC (August, 1933) pp. 70 to 75

of the silver dollar in grains nine tenths fine at a definite fixed ratio in relation to the gold dollar at such amounts as he finds necessary from his investigation to stabilize domestic prices or to protect the foreign commerce against the adverse effect of depreciating foreign currencies, and to provide for the unlimited coinage of such gold and silver at the ratio so fixed, or in case the Government of the United States enters into an agreement with any government or governments under the terms of which the ratio between the value of gold and other currency issued by the United States and by such government or governments is established, the President may fix the weight of the gold dollar in accordance with the ratio so agreed upon, and such gold dollar, the weight of which is so fixed, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity with this standard and it shall be the duty of the Secretary of the Treasury to maintain such parity, but in no event shall the weight of the gold dollar be fixed so as to reduce its present weight by more than fifty per centum.

"Section 45 (2) The President is authorized, for a period of six months from the date of the passage of this Act to accept silver in payment of the whole or any part of the principal or interest now due, or to become due within six months after such date, from any foreign government or governments on account of any indebtedness to the United States, such silver to be accepted at not to exceed the price of fifty cents an ounce in United States currency. The aggregate value of the silver accepted under this section shall not exceed $200,000,000.

(b) The silver bullion accepted and received under the provisions of this section shall be subject to the requirements of existing law and the regulations of the mint service governing the methods of determining the amount of pure silver contained, and the amount of the charges or deductions, if any, to be made; but such silver bullion shall not be counted as part of the silver bullion authorized or required to be purchased and coined under the provisions of esixting law.

(c) The silver accepted and received under the provisions of this section shall be deposited in the Treasury of the United States, to be held, used and disposed of as this section provided.

(d) The Secretary of the Treasury shall cause silver certificates to be issued in such denominations as he deems advisable to the total number of dollars for which such silver was accepted in payment of debts. Such silver certificates shall be used by the Treasurer of the United States in payment of any obligations of the United States.

(e) The silver so accepted and received under this section shall be coined into standard silver dollars and subsidiary coins sufficient, in the opinion of the Secretary of the Treasury, to meet any demands for redemption of such silver certificates issued under the provisions of this section, and such coins shall be retained in the Treasury for the payment of such certificates on demand. The silver so accepted and received under this section, except so much thereof as is coined under the provisions of this section, shall be held in the Treasury for the sole purpose of aiding in maintaining the parity of such certificates as provided in existing law. Any such certificates, when presented at the Treasury, shall be redeemed in standard silver dollars, or in subsidiary silver coin, at the option of the holder of the certificates. Provided, That, in the redemption of such silver certificates issued under this section, not to exceed one third of the coin required for such redemption may in the judgment of the Secretary of the Treasury be made in subsidiary coins, the balance to be made in standard silver dollars.14

Section 45 (2) is known as the Thomas Amendment. Seventy-five Representatives and ten Senators signed a petition to President Roosevelt. The petition asked that he appoint Reverend Charles E. Coughlin as an advisor to the World Economic Conference. They said:

"He is a student of world affairs, economics, and finance; and has the confidence of millions of American citizens. We believe his presence at the Conference would instill confidence in the hearts of the average citizen...."15

"A Joint Resolution to assure uniform value to the coins and currencies of the United States" passed Congress on June 5, 1933. The exact words appear below:

"Whereas the holding of or dealing in gold affect the public interest, and are therefore subject to proper regulation and restriction, and Whereas the existing emergency has disclosed that provisions of obligations which purport to give the obligee a right to require payment in gold or a particular kind of coin or currency of the United States or in an amount in money of the United States measured thereby, obstruct the power of the Congress to regulate the value of the money of

14. United States Statutes at Large, May 12, 1933. Section 43 (2), Section 45 (a, b, c, d, e) pp. 742 & 743
15. United States Statutes at Large, June 5, 1933

the United States, and are inconsistent with the declared policy of the Congress to maintain at all times the equal power of every dollar, coined or issued by the United States, in the markets and in the payment of debts. Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That, (a) every provision contained in or made with respect to any obligation which purports to give the obligee a right to require payment in gold or a particular kind of coin or currency, or in an amount in money of the United States measured thereby, is declared to be against public policy; and no such provision shall be contained in or made with respect to any obligation hereafter incurred. Every obligation, heretofore or hereinafter incurred, whether or not any such provision is contained therein or made with respect thereto, shall be discharged upon payment, dollar for dollar, in any coin or currency which at the time of payment is legal tender for public and private debts. Any such provision contained in any law authorizing obligations to be issued by or under authority, of the United States, is hereby repealed, but the repeal of any such provision shall not invalidate any other provision or authority contained in such law.

(b) As used in this resolution, the term "obligation" means an obligation (including every obligation of and to the United States, excepting currency) payable in money of the United States; and the term "coin or currency" means coin or currency of the United States, including Federal Reserve Notes and circulating notes of Federal Reserve banks and national banking associations.

"Section 2. The last sentence of paragraph one of subsection (b) of section forty-three of the Act entitled "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extra ordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes," approved May 12, 1933, is amended to read as follows:

"All coins and currencies of the United States (including Federal Reserve Notes and circulating Notes of Federal Reserve banks and national banking associations) heretofore or hereafter coined or issued, shall be legal tender for all debts, public and private, below the standard weight and limit of tolerance provided by law for the single piece, shall be legal tender only at valuation in proportion to their actual weight."16

16. <u>United States Statutes at Large</u>, June 5, 1933, pp. 747 & 748

All debts were declared payable in legal tender, no matter whether the contract stated payable in gold or not. It was rushed through Congress, because the Treasury did not wish to put the gold clause into the new securities that were about to be issued on June 15, 1933. The notes, when issued, stated payable on maturity "in legal tender."

In the Senate, William E. Borah of Idaho stated:

"It has been said that this is repudiation. I am not prepared to controvert that statement. But the bond-holder must take his place in the sacrifice which the American people have been enduring. We must cease to pay tribute to the gold standard at the expense of the average citizen of the United States."

Many newspapers stormed and raged about it, but many students of law said, there was ample judicial precedent and many students of ethics held that it might be defended as a means of restoring equality between creditor and debtor. One said:

"Drastic changes in conditions which succeed the making of an agreement must always be considered when the time comes to fulfill the agreement. Shifting situations are always a apart of the picture and make for changed relationships between contractors. All contracts should eventually be modified when they are not in line with the realities of a situation. The action of the Federal Government puts its contracts in line with realities."17

In the Boston American of February 25, 1934, this article appeared under the title "Gold Ban Law is Held Legal".

"St. Louis, February 24 - The power of Congress to make any lawful money legal tender for the payment of debts, even though the debtor may have agreed to pay in gold, was upheld in a decision handed down here today by U. S. Judge C. B. Faris.

17. Benson Y. Landis, op. cit., pp. 29 & 30

"He also held, however, that no state can pass any law impairing the obligations of a contract.

"The opinion, in effect, upheld the emergency legislation by which Congress last year abrogated the 'gold clause' found in many securities.

"The decision was handed down in a suit of holders of bonds of Drainage District 2 of Pemiscot County, Mo. for an injunction to enjoin the collector of the county from accepting defaulted bonds and interest coupons of the district in payment of drainage taxes, in accordance with a 1929 act of the State Legislature."

In the President's order of April 5, 1933, May 1, 1933 was given as the final date. After that date, the persons holding gold were visited by men from the Department of Justice. They tried persuasion. In September, about a half billion dollars in gold and gold certificates were still out. The names and addresses of many of the holders of gold coin were found to be not true. Although threats were made to publish the names of the ones still holding gold, no lists were published. A new final date was set by an order of the President for September. He, also, through an order, let newly-mined gold be shipped, but only under certain conditions.[18]

The World's Economic Conference

In July, 1933, in London, the World's Economic Conference took place. One of the delegates of the United States was Senator Pittman, an ardent silver man. He devoted himself, while there, to "get something for silver". He fixed his strength on two chief proposals: 1st, to keep the gold standard, but to replace silver for gold in twenty-five per cent of the metallic

18. Benson Y. Landis, op. cit., p. 31

reserves in the central banks; and 2nd, that the gold nations use a higher silver content than formerly in their subsidiary coinage. He ended with a compromise. The matter was referred to a sub-committee and a resolution was adopted. This resolution was to the effect that the gold standard countries should not debase their silver coinage more than it was already.

He, also, made an agreement for four years with eight nations, according to this the sales of silver will be restricted and the use of silver increased.[19] The three nations holding the most silver, India, China and Spain, agreed not to dump their silver on to the market. India agrees not to sell more than 140,000,000 ounces of silver during the four years, beginning with 1934, and not to sell more than $50,000,000 in any one year. This does not include silver that may be sold to the European nations for use in making war debt payments to the United States. China is to sell none, and Spain not more than 20,000,000 during the entire four years.

The five great silver producing nations are: Mexico, Peru, Canada, Australia and the United States, and they have agreed not to sell any silver during this period. They also have agreed to take from the market 35,000,000 ounces of silver each year. This is to be used for coinage or reserves.

The Wall Street Journal said:

"Passing over the disputed question whether the external purchasing power of even China is determined by the price of silver, it may be useful to recall that world production of the white metal has averaged around 250,000,000 ounces annually in recent years. Aside from its implication as to monetization by individual nations, this agreement would in a manner sta-

19. "Silver as a Beggar", <u>The Nation</u>, CXXXVII (August 2, 1933) p. 117

bilize the market only in respect to a movement out of it of 35,000,000 ounces annually; in addition, it would limit movements to market from existing governmental stocks to a possible 40,000,000 ounces a year. The latter provision, to be sure raises a Boulder Dam against the superfluous silver in possession of the Government of India, 310,000,000 ounces, or more. But the Indian Government sold as much as 35,000,000 ounces in only one recent year; the plan raises no barrier to the marketing of silver privately owned in India and Indo-China, estimated in the billions of ounces."[20]

The Department of Labor reported a six percent advance in the combined index of wholesale prices in July over June. This was the fifth consecutive month to show an increase. On August 25th, the Federal Reserve board reported that industrial production rose in July to the average for the years 1923-25. These indices went down, as usual, in August and September, but went slowly upward after September.

By September, none of the inflation schemes of Congress had been adopted by the President. The demands soon became more numerous. The National Cooperative Council continued its demands for an effective currency and for sufficient devaluation of the gold content of the dollar to bring back the general price level of 1926.[21] On Sunday evening October 22nd, President Roosevelt made a radio speech and to the people in part he said:

"The United States must take firmly in its own hands the control of the gold value of our dollar. This is necessary in order to prevent the dollar disturbances from swinging away from our ultimate goal, namely, the continued recovery of our commodity prices. As a further effective means to this end, I am going to establish a government market for gold in the United States. Therefore, under existing law, I am authorizing the Reconstruction Finance Corporation to buy gold newly minted in the United States at prices to be determined from time to time after consultation with the Secretary of the Treasury and the President. Whenever necessary to the end in view, we shall

20. "The Silver Lining of the London Conference", Literary Digest, CXVI (August 5, 1933), p. 7
21. Benson Y. Landis, op. cit., p. 34

also buy or sell gold in the World Market."

On Wednesday, October 25th, the Reconstruction Finance Corporation announced that it would buy newly mined gold at a price of $31.36 an ounce. This was almost thirty-seven cents above the dollar equivalent of the price of gold that day in the London gold market.

The President's conference on Sunday, October 29th, was attended by Professor Warren, Professor James Harvey Rogers, Governor Black of the Federal Reserve Board, Chairman Jones of the Reconstruction Finance Corporation. Under Secretary Dean Acheson of the Treasury and other officials and financiers, it was decided to extend this new policy to include purchases of gold abroad.

The World price rose nearly equal to this price. The outcome, up to November 3rd, was that the dollar had depreciated in gold value to sixty-four and two tenths of its value when we were on the gold standard.[22]

On December 21st, President Roosevelt, through a special proclamation, said that the Government of the United States would purchase not less than 24,421,410 ounces of silver annually for the next four years at a price of sixty-four and five tenths cents an ounce. The silver must come from the natural native deposits of the United States. It must be newly mined. The time and the manner of purchase was left to the Government. The President authorized the United States Mints to begin buying after January 1st. They are to hold fifty

22. D. W. Ellsworth, "President Roosevelt's Gold Policy", Current History, XXXIX, (December 1933), pp. 333 to 335

per cent of the bullion as seigniorage. The rest is to be paid out in forms of money. The Government price is twenty-one and one-half cents higher than the market price.

The President basis his order on (1) the Thomas Amendment and (2) on the silver agreement adopted at the World Economic Conference.[23]

In January, 1934, the President asked Congress to vest in the Government "title to all supplies of American-owned monetary gold". The government will pay the owners "$20,67 an ounce, which is the statutory price; 2nd, that Congress fix the upper limit at which he is permitted to revalue the dollar at sixty percent of its old gold content; 3rd, that the Secretary of State be given the power to make out of the revaluation coming to the Government a fund of $2,000,000 with which to buy and sell gold at home and abroad and deal in foreign exchange and government securities as the regulation of the currency, the maintenance of the credit of the Government and the general welfare of the United States may require."

This fund idea has long been in use in Great Britain.

In the opinion of Attorney-General Cummings:

"The monetary gold stock may be taken by the Government in the exercise of its right of eminent domain. Such power extends in every form of property required for public use.... . The establishment and the regulation of a monetary system is one of the fundamental functions of Government....The requirement for just compensation is completely satisfied by the provision for payment in gold certificates in equivalent amount of dollars...." This opinion was delivered for the benefit of Senators Glass and McAdoo who doubted the constitutionality of the President's request. It was delivered before the Senate Banking and Currency Committee when the bill which contained the President's policy was introduced.[24]

The Bill was adopted on January 30, 1934. It is called "An Act to protect the currency system of the United States, to

23. "Silver - A Precious Political Metal", Business Week, (December 30, 1933) pp. 6 to 8

24. "The Plan for Silver Revaluation", The Literary Digest, CXVII (January 27, 1934), pp. 7 & 8

provide for the better use of the Monetary gold stock of the United States, and for other purposes". The part that deals with the money of the United States is given:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be the "Gold Reserve Act of 1934."

"Section 3. The Secretary of the Treasury shall, by regulations issued hereunder, with the approval of the President, prescribe the conditions under which gold may be acquired and held transported, melted or treated, imported, exported, or ear-marked: (a) for industrial, professional, and artistic use; (b) by the Federal Reserve banks for the purpose of settling international balances; and, (c) for such other purposes as in his judgment are not inconsistent with the purposes of this Act. Gold in any form may be acquired, transported, melted or treated, imported, exported or ear-marked or held in custody for foreign or domestic account (except on behalf of the United States) only to the extent permitted by, and subject to the conditions prescribed in, or pursuant to, such regulations. Such regulations may exempt from the provisions of this section, in whole or in part, gold situated in the Philippine Islands or the places beyond the limits of the continental United States.

"Section 4. Any gold withheld, acquired, transported, melted or treated, imported, exported, or ear-marked or held in custody, in violation of this Act or of any regulations issued hereunder, or licenses issued pursuant thereto, shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law; and in addition any person failing to comply with the provisions of this Act or of any such regulations or licenses, shall be subject to a penalty equal to twice the value of the gold in respect of which such failure occurred.

"Section 5. No gold shall hereafter be coined, and no gold coin shall hereafter be paid out or delivered by the United States: Provided, however, That coinage may continue to be executed by the mints of the United States for foreign countries in accordance with the Act of January 29, 1875 (United States Code, title 31, section 367). All gold coin of the United States shall be withdrawn from circulation, and, together with all other gold owned by the United States, shall be formed into bars of such weights and degrees of fineness as the Secretary of the Treasury may direct.

"Section 12. Paragraph (b) (2), of section 43, title III, of the Act approved May 12, 1933 (Public Numbered 10, Seventy-third Congress), is amended by adding two new sentences at the end thereof, reading as follows:

"Nor shall the weight of the gold dollar be fixed in any event at more than sixty per centum of its present weight. The powers of the President specified in this paragraph shall be deemed to be separate, distinct, and continuing powers, and may be exercised by him, from time to time, severally or together, whenever and as the expressed objects of this section in his judgment may require; except that such powers shall expire two years after the date of enactment of the Gold Reserve Act of 1934 unless the President shall sooner declare the existing emergency ended, but the President may extend such period for not more than one additional year after such date by proclamation recognizing the continuance of such emergency."

"Paragraph (2) of subsection (b) of section 43, title III, of an Act entitled "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extra-ordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, to provide for the orderly liquidation of joint-stock land banks, and for other purposes", approved May 12, 1933, is amended by adding at the end of said paragraph (2) the following:

"The President, in addition to the authority to provide for the unlimited coinage of silver at the ratio so fixed, under the terms and conditions as he may prescribe, is further authorized to cause to be issued and delivered to the tenderer of silver for coinage, silver certificates in lieu of the standard silver dollar to which the tendered would be entitled and in an amount in dollars equal to the number of coined standard silver dollars that the tendered of such silver for coinage would receive in standard silver dollars.

"The President is further authorized to issue silver certificates in such denominations as he may prescribe against any silver bullion, silver, or standard silver dollar in the Treasury not then held for redemption of any outstanding silver certificates, and to coin standard silver dollars or subsidiary currency for the redemption of such silver certificates.

"The President is authorized, in his discretion, to prescribe different terms and conditions and to make different charges, or to collect different seigniorage, for the coinage of silver of foreign production than for the coinage of silver produced in the United States or its dependencies. The silver certificates herein referred to shall be issued, delivered, and circulated substantially in conformity with the law

now governing existing silver certificates, except as may herein be expressly provided to the contrary, and shall have and possess all of the privileges and the legal tender characteristics of existing silver certificates now in the Treasury of the United States, or in circulation.

"The President is authorized in addition to other powers, to reduce the weight of the standard silver dollar in the same percentage that he reduces the weight of the gold dollar.

"The President is further authorized to reduce and fix the weight of subsidiary coins so as to maintain the parity of such coins with the standard silver dollar and with the gold dollar."25

Under this Act the President declared that the gold content of the dollar would be fifty-nine cents. It will be kept at that price as long as the commodity price remain the same. Whenever they change it will change. The President has adopted the idea of "Managed Currency". The above declaration is the final step, so far, in the President's currency policy, but as he says, it is just an experiment, if it does not work, we will try something else.

Summary

In 1792, the ratio of 15½ to 1 was fixed by Hamilton, but as this was a little high our silver coins left us, and very little bullion was brought to the mint for coinage. In 1834, Jefferson, because the silver coins were being exported and none left in use, stopped coining silver dollars. In 1853, our subsidiary silver coins were being exported, so a law was passed lowering the silver content. These pieces, then, stayed here. In 1873, the silver dollar was dropped from our money, by the Act known as "the Crime of 1873". This Act was passed, based on

25. United States Statutes at Large, January 30, 1934, Sections 3 & 12

the practice of that time. There were none of our silver dollars in circulation. One Senator said that no one of his age had ever seen one. In 1876, the price of silver began to decline. Silver owners then wished to sell to the Government to be used as coin, but found themselves unable to do so, because of the Act of 1873.

In 1878, the Bland-Allison Act was passed through the influence of the silver owners and those wishing "cheap money". In 1890, the Sherman Purchase Act was passed increasing the amount of silver bought. This act almost brought the country on to the silver basis. In 1893, the Purchase Clause of the Sherman Act was repealed. In 1900, the United States followed the nations of Europe and adopted the gold standard.

During the World War, the price of silver climbed to $1.29 an ounce, but almost immediately afterward it began falling in price. The depression which followed this war, the silver men were stating had been caused by the demonetization of silver.

In 1933, President Roosevelt was elected and was promptly given more powers than any other President had ever had. He forced all of the nation's gold into the Treasury, stopped the exporting of gold except under certain conditions, and created the "Managed Dollar". This was the last step taken in the History of Silver up to January 31, 1934.

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